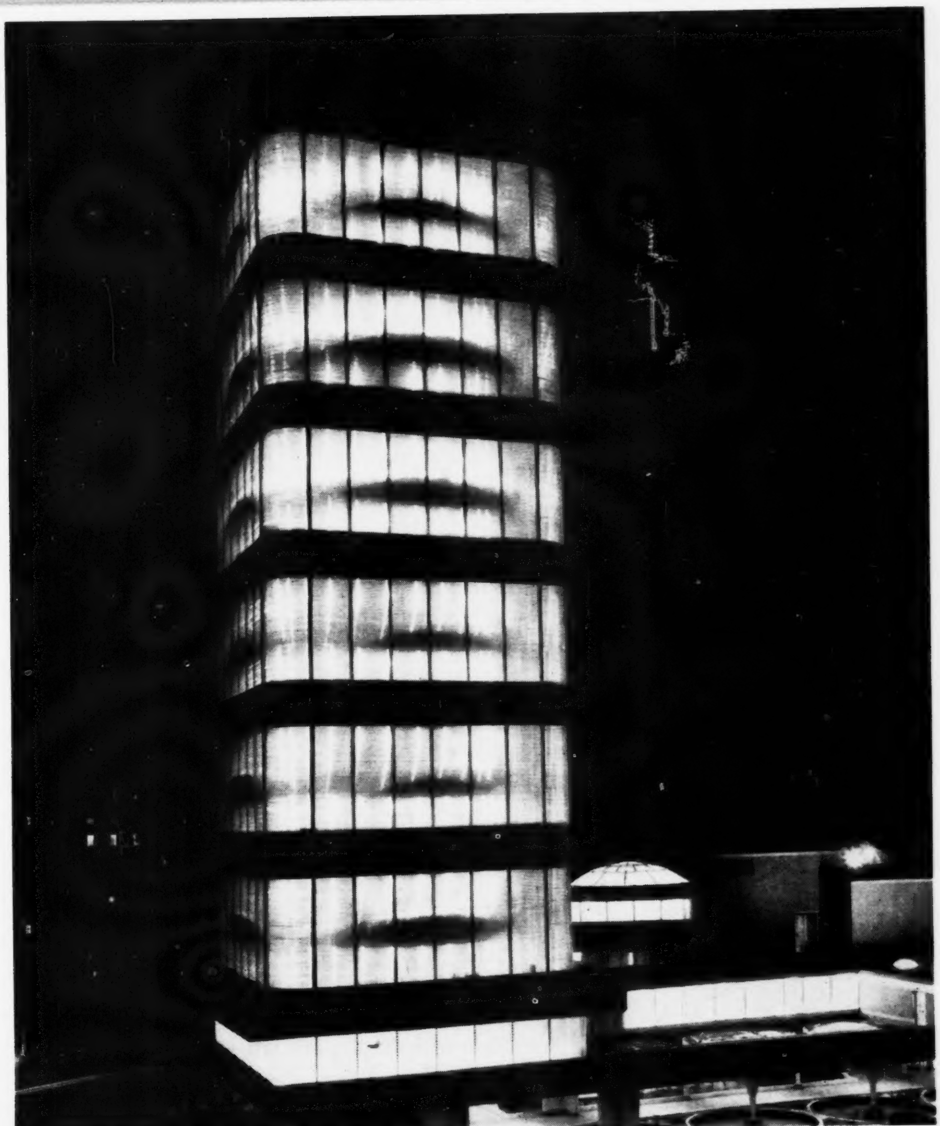
OFFICIAL ASIM PUBLICATION

The National Insurance Buyer

CORPORATE INSURANCE MANAGEMENT

AN INFORMED BUYER IS A BETTER BUYER •



"Helio-Lab" Research Tower . . . Racine, Wisconsin.

AMERICAN SOCIETY OF INSURANCE MANAGEMENT

Volume 6 November 1959 Number 6

OFFICIAL ASIM PUBLICATION
The National Insurance Buyer
CORPORATE INSURANCE MANAGEMENT

Linda Burke, Editor
Eight West Fortieth Street, New York 18, N. Y.

We Honor . . .

It is with great pride that we honor Wisconsin Chapter of the American Society of Insurance Management, Inc., in this issue of the National Insurance Buyer.

Long an independent insurance buyers group, the affiliation with the American Society of Insurance Management, Inc., has added prestige to our membership. Its representatives have been outstanding contributors to the insurance profession and in so honoring them, we honor the entire insurance industry.

About the cover . . .

The "Helio-Lab" Research Tower is located at Racine, Wisconsin at the Johnson's Wax plant.

Designed by the late Frank Lloyd Wright, the tower is believed to be the tallest cantilever structure in existence. Its 14 floors are supported solely by the central reinforced concrete core which penetrates 54 feet in the ground — and the 154 foot tower weighs over 8,000 tons. The floors are 40 feet square and alternate with circular floors of slightly smaller diameter.

This building, like all Mr. Wright's buildings, is an artistic whole which demands undivided attention. It is an impressive demonstration of modern construction in reinforced concrete at its most imaginative: the daring cantilevers, the unorthodox building shape — all add up to a spectacular new concept of architecture.

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The National Insurance Buyer, a publication of the American Society of Insurance Management, Inc., does not assume responsibility for the points of view or opinions of its contributors. It does accept responsibility for giving them an opportunity to express such views and opinions in its columns.

The National Insurance Buyer, published bi-monthly (January, March, May, July, September and November) as the official publication of The American Society of Insurance Management, Inc., 8 West 40th Street, New York 18, New York. Linda Burke, Editor. *Subscription $5.00 a year. Advertising rates on request.*

Wisconsin Chapter, ASIM

Beginning in the early 1950's a small group of insurance buyers for Milwaukee area industries began holding occasional dinner-discussion meetings for the purpose of exchanging ideas on mutual problems on a round table basis. Although strictly informal, the group, for identification purposes, assumed the name of Milwaukee Insurance Buyers Association.

Gradually the group became known and those charged with insurance responsibilities at other companies began to attend the seminar type meetings, now on a monthly basis, and found them to be mutually helpful. In time, those numbered as active members represented an excellent cross section of industry in Milwaukee and the surrounding area.

After several years the members decided to place the organization on a more formal basis to insure its continuity and leadership and in order to enhance its stature and recognition in the insurance world. In May 1956 the group was incorporated as a non-profit Wisconsin corporation. Its name was changed to Wisconsin Insurance Buyers, Inc. since insurance buyers from throughout the state were now numbered among its members and prospective members. The stated purpose of the new organization was "the uniting in a central organization of qualified buyers of insurance to make available a forum for their discussion of insurance problems of mutual interest." As the group continued to grow and prosper, the informal seminar type disscussions were supplemented by meetings to which guest speakers, experts on insurance subjects of particular interest, were invited. These included insurance counsellors, representatives of insurance companies, brokers, rating bureaus, and on two occasions, the Commissioner of Insurance for the State of Wisconsin.

Officers of Wisconsin Chapter of The American Society of Insurance Management, Inc. Seated, l. to r.: Joe Hussa, Treasurer; Karl Abendroth, Vice President; Joe Hilmer, President; Bob Krause, Secretary. Standing, l. to r.: Art Widtman, member Board of Directors, American Society of Insurance Management, Inc. (representing Wisconsin Chapter); Ken Strehlow, Director; John Lungren, Director; Walter DeWitz, Director and Publicity; absent, Harry Kunze, Director and Membership.

As time went on, the membership became increasingly aware of the additional benefits associated with affiliation with a national organization; and on April 30, 1959, a majority of the 28 member companies voted to become "Wisconsin Chapter, American Society of Insurance Management, Inc."

Charter Is Presented to Wisconsin Chapter, ASIM

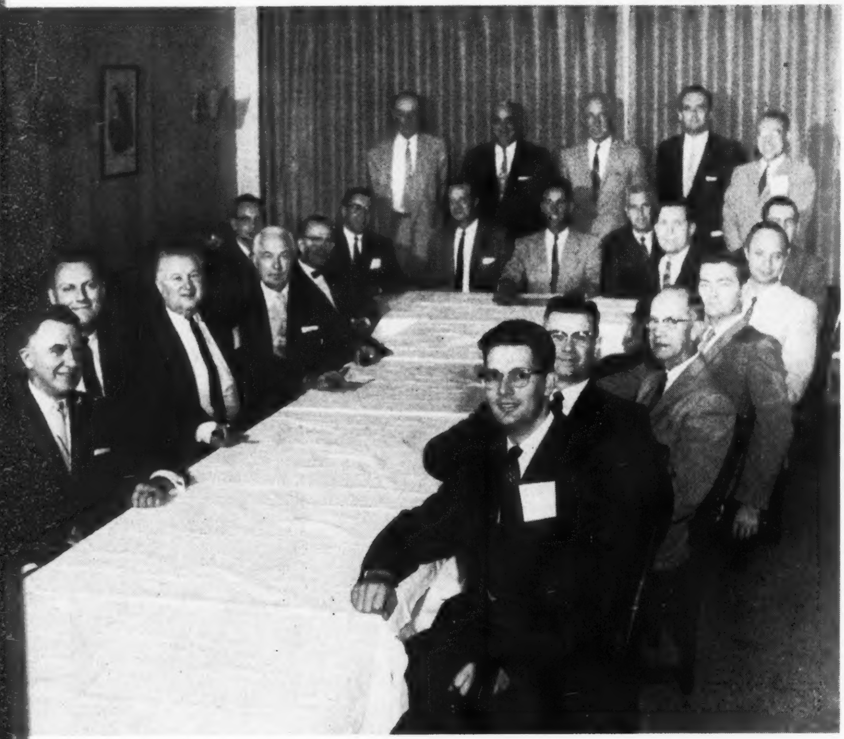
On September 24th, at a meeting of Wisconsin Chapter, ASIM, C. Henry Austin, Director of Education for the American Society of Insurance Management, Inc., past president of the Chicago Chapter, ASIM, and Manager of the Insurance Department for Standard Oil Company (Indiana) presented a Charter to Joseph Hilmer, president of Wisconsin Chapter.

In giving the charter to the new chapter, Mr. Austin remarked.

"It is a privilege and a pleasure to be with you tonight, particularly so because I understand this is your first meeting following your affiliation with the American Society of Insurance Management, Inc.

Your affiliation has raised our national membership to 1632 individuals representing over 1000

(More on page 4)



Members of Wisconsin Chapter, ASIM, attending the Charter Presentation Ceremony: seated, l. to r.:

Joe Hussa	First Wisconsin National Bank, Milwaukee
William Reimer	Schuster Construction Company, Green Bay
Art Borkow	Harnischfeger Corporation, Milwaukee
Elmer Buchenberger	Rhea Manufacturing Company, Milwaukee
Art Widtman	A. O. Smith Corporation, Milwaukee
Jack Bitter	Line Material Industries, Milwaukee McGraw-Edison Corp.
Marlin Borchardt	Allen-Bradley Company, Milwaukee
C. Henry Austin	Standard Oil Company (Indiana), Chicago (Guest)
Joe Hilmer	S. C. Johnson & Son, Inc., Racine
Karl Abendroth	Milwaukee & Suburban Transport Co., Milwaukee
Ken Strehlow	Ed. Schuster & Company, Inc., Milwaukee
Bob Krause	Briggs & Stratton Corporation, Milwaukee
Dale Houmes	Outboard Marine Corp., Waukegan, Ill.
Gene Boyle	J. I. Case Company, Racine
Art Nolte	A. O. Smith Corporation, Milwaukee
Walter DeWitz	Basic Products Corporation, Milwaukee
Bill Dundas	Electric Company, Milwaukee

Standing, l. to r.:

I. H. Stark	Baso, Inc., Milwaukee
Art Dugan	Cutler-Hammer, Inc., Milwaukee
M. C. Peterson	Wisconsin Electric Power Co., Milwaukee
John Lungren	Clark Oil & Refining Corp., Milwaukee
Phil Grau	Miller Brewing Company, Milwaukee

Charter is Presented to Wisconsin Chapter ASIM

Wisconsin Chapter

(From page 3)

companies.

By this affiliation you have increased your sources of information, without losing any of the advantages which accrue to the local organization.

I know that as members of a chapter of American Society of Insurance Management, Inc. you will continue to enjoy the same benefits you did as members of your fine predecessor society.

Based upon my personal acquaintance with some of your members, I know you have experience and skills which can help our national association. I trust that you will give the national association the benefit of this knowledge and skill through active participation in its activities.

It is then a distinct honor to present this charter to your chapter president, Mr. Joseph Hilmer.

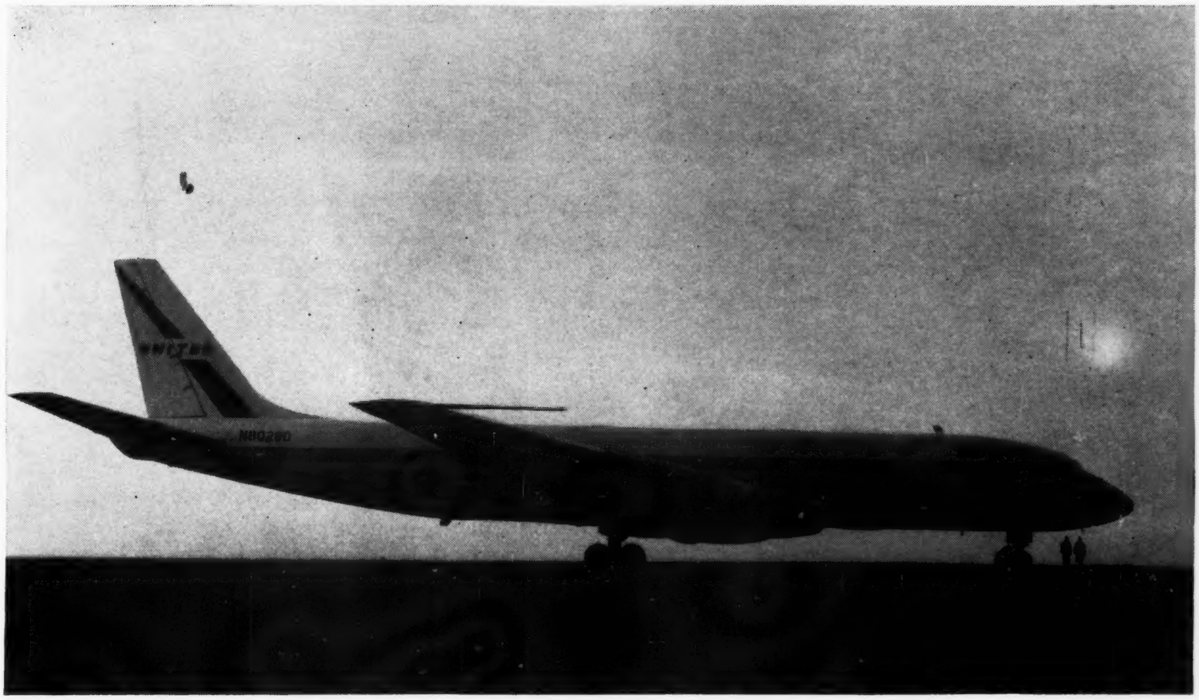
"Joe, on behalf of the President and Directors of the American Society of Insurance Management, I give you this charter representing your affiliation with the Society."

In accepting the charter, Mr. Hilmer replied: "Thank you, Mr. Austin. On behalf of members of the Wisconsin Chapter of the American Society of Insurance Management, Inc., I am pleased to accept this charter. I am aware of the fact that the Society, through your efforts and those of the national officers, has considerably enhanced the status of the corporate insurance manager. Our chapter will sincerely attempt to further the goals established by ASIM to our mutual advantage."

C. Henry Austin presents Charter to Joseph Hilmer, president of Wisconsin Chapter, ASIM

THE JET AGE DAWNS

ON THE DOUGLAS DC-8



United Air Lines, first to fly the DC-8 in commercial flights

Douglas's Jetliner is the rising sun in the travel sky. This roomy cabin of comfort crosses the heavens like a brush of color. Its punctual speed connects the American coasts in five hours, or puts down in London in six, Rio nine, Tokyo about ten. But before ever leaving the ground, and for shock test and safety, it was 'flown' experimentally more than a hundred years.

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INSURANCE BY NORTH AMERICA INA

Deductible Insurance . . .

Its Place in Corporate Risk Management

by
James Cristy
Insurance Manager
The Upjohn Company
Kalamazoo, Michigan

(Address before Cleveland Chapter, ASIM — September 14, 1959)

James Cristy

James Cristy is Insurance Manager of The Upjohn Company in Kalamazoo, Michigan. He received his A.B. degree from the University of Michigan in 1934. For ten years after his graduation he was with Aetna Life Insurance Company as home office representative in the Group and Pension Department. He joined the Upjohn Company in 1945 and for four years administered the employee insurance and retirement plans in the Personnel Division. He was appointed Insurance Manager in 1949 and was given responsibility for general insurance in addition to the group and retirement plans.

He is the author of American Management Association Research Report #25: Corporate Insurance Manuals, Reports, and Records. He is a member of the A.M.A. Insurance Division Planning Council and of the Detroit Chapter of The American Society of Insurance Management, Inc.

This paper is based on the following thesis:

Risk retention or non-insurance, as well as risk transfer or insurance, are essential parts of sound corporate risk management.

Deductible insurance is essential in a program of risk retention. Therefore, deductible insurance is essential to sound risk management.

We expect risk management to grow in importance as a management activity. And the use of deductible insurance by corporations will grow also. But while many risk managers think deductibles are here to stay, one insurance company executive I know says they are a "passing fad." You can add a deductible to almost any kind of insurance you buy. But you should not infer that deductibles are widely available in all lines of insurance or that they are even easy to get. As you and I know all too well the fire insurance market is sadly limited by the unwillingness of Factory Insurance Association to write deductible insurance. Also, I understand it has become possible only recently to buy a Manufacturer's Output policy with a deductible of more than $5,000.

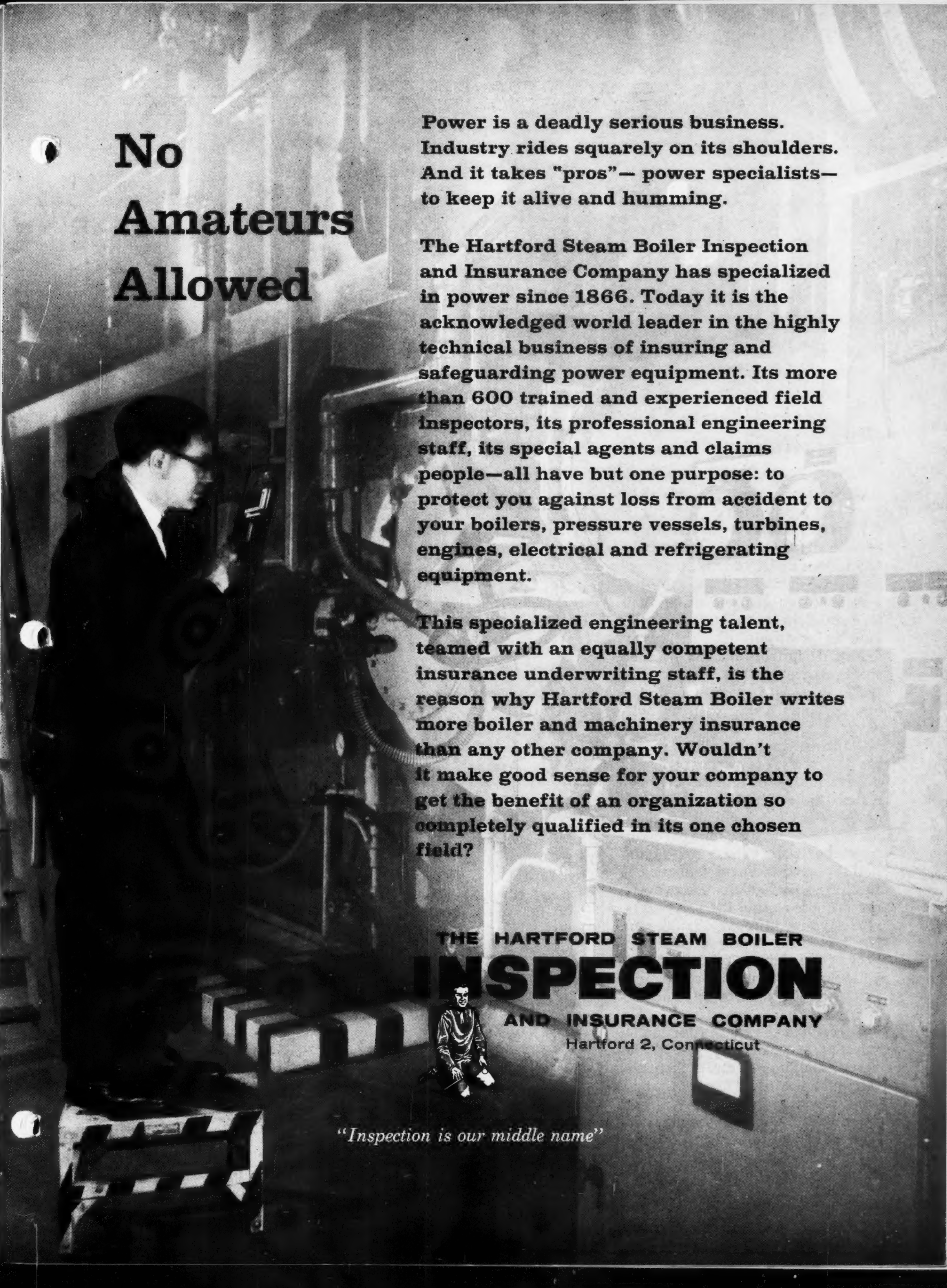
There are still many in the insurance industry who deny the simple economic soundness of deductible insurance and many more who, while agreeing there is a place for deductibles, consider them simply devices for eliminating nuisance claims. I think most of you will agree there is a place for deductibles. But you may wonder why we tie them so closely to risk management. Why get so excited?

Could not a company have a nice insurance program without deductibles?

Let's examine the first part of my thesis. *A sound program of risk management necessarily involves both insurance and non-insurance: risk transfer and risk retention.* To many this is elementary, self-evident, not worth wasting time on. But while every corporation practices non-insurance to some extent, I have found only a few that use a planned and consistent approach in order to realize the savings available through conservative risk retention. So perhaps it is worthwhile to be elementary for a while and take time to re-examine the obvious.

To begin with, we are firmly convinced that insurance is justified economically only when it covers a level of risk *beyond* that which the buyer can bear by himself. If my company can absorb losses up to $50,000 without trouble, why

(More on page 20)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Power is a deadly serious business. Industry rides squarely on its shoulders. And it takes "pros"— power specialists— to keep it alive and humming.
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This specialized engineering talent, teamed with an equally competent insurance underwriting staff, is the reason why Hartford Steam Boiler writes more boiler and machinery insurance than any other company. Wouldn't it make good sense for your company to get the benefit of an organization so completely qualified in its one chosen field?
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"Inspection is our middle name"

CLAIM FACETS of LIABILITY INSURANCE

by

Herbert P. Schoen

Associate General Counsel

Hartford Accident & Indemnity Company

(Address before Risk Management Institute, ASIM, Harvard University, September 9, 1959)

You have been kind enough to ask me to talk about claims. Well, how big a business is it? It's a $12.5 million-a-day business. Insurance companies paid out nearly $2.5 billion in 1958 for personal injuries and death claims alone — an increase over 1957 of more than $200 million; even though death and injuries on the highway dropped approximately 5%. In short, claims cost Americans some $9,000 *a minute*—day in and day out, 24 hours a day with no holidays.

Claim service and claim payment are the real reasons anyone ever buys liability insurance. Without claims, there would be no need for casualty insurance. In brief, claim administration, including claim payment, is the reason for buying liability insurance and you, as careful insurance buyers, have every reason to look into it.

Well, then, "What should *you*, the thoughtful insurance buyer, expect of the claim administration of your casualty insurance company?" I suspect the answer is *"The impossible."*

There is in the claim function an internal inconsistency — an inherent dilemma. It arises from the fact that the usual insured wants *just* claims adequately paid: *fraudulent* claims vigorously defended; and customers and employees generously awarded, all for a *minimum* expenditure of money and with the *best* public relations. Now all of these aims are not necessarily repugnant; but just try writing a letter declining liability to a good customer and see how much of a "sales" letter you can make it.

Herbert P. Schoen

Mr. Herbert P. Schoen is Associate General Counsel of the Hartford Accident and Indemnity Company and Assistant General Counsel of the Hartford Fire Insurance Company.

Mr. Schoen, a member of the Hartford staff since 1946, was graduated from Harvard College and Harvard Law School and is a member of the New York and Connecticut Bars. A native of Glens Falls, New York, Mr. Schoen was associated with the Columbia University Division of War Research from 1941 until 1943 when he entered the U.S. Navy. He joined the Hartford upon his discharge in 1946 and was advanced to Assistant General Counsel in 1952.

Now as thoughtful liability insurance buyers, we do appreciate that our legal system is an adversary one — the basis of Anglo-American law being that the truth must lie somewhere between the plaintiff's plea and the defendant's defense — so some conflict is the handmaiden of the claim function. And so we no more want our advertising or public relations departments to *run* our claim department than we want our claims attorney to *write* our advertising copy.

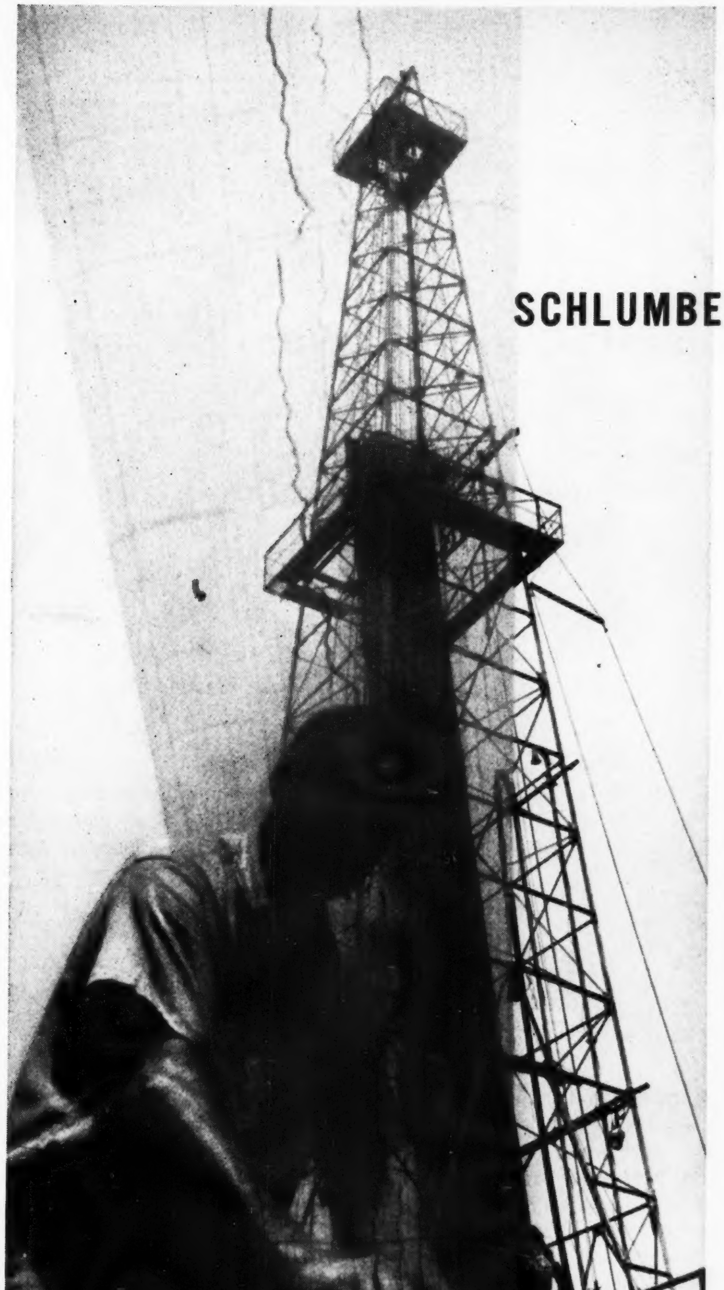
But what are we entitled to expect from the casualty claim operation?

We are entitled to have our casualty claim administration form an *integral part* of our business in relation to the *five* different groups of people our business must please.

Some of you may think you are in the business of selling plywood or some other product. But may I respectfully submit that basically no one here is selling any product — any more than I am selling insurance.

Our business — yours and mine

(More on page 26)



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These are just a few reasons why Schlumberger, and thousands of other companies, are Ætna-insured. Ask your agent or broker for full details . . . *soon.*

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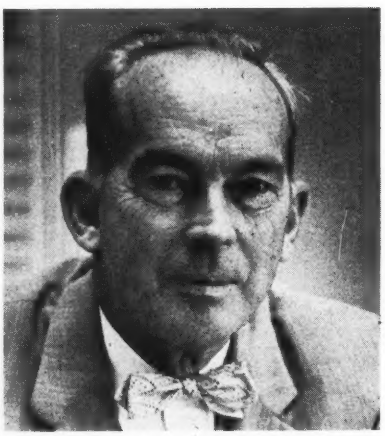
Liability Insurance . . .

Placement and Underwriting

by
Joseph H. Forest
Vice President
Liberty Mutual Insurance Company

(Address before Risk Management Institute, ASIM, Harvard University, September 9, 1959)



Joseph H. Forest

Joseph H. Forest is Vice President of Liberty Mutual Insurance Company (Boston, Massachusetts).

He joined Liberty Mutual in 1930 in the Actuarial Department and in 1935 was made Assistant Actuary. In 1939 he was appointed Associate Actuary and in 1944 an Assistant Vice President; in 1948, Vice President in charge of Underwriting.

Mr. Forest was promoted to his present position in 1955 as Vice President and Manager of the National Risk Department, responsible for overall service and underwriting of large risks.

He is the author of various articles and pamphlets on Actuarial and Underwriting subjects, and received his formal education at Arlington High School, University of Massachusetts, Columbia University, and Harvard University.

"Liability Insurance" is a term which hardly needs definition for any of you, but unless it is restricted in scope, it would sweep in numerous areas such as aviation, automobile, professional, personal and so on. Therefore, for the purpose of this talk, we will concern ourselves particularly with the field of general liability insurance and the business community which it serves.

Ours is an intensely competitive economy — dynamic and changing in nature, and one in which to stand still means to fall behind. New concerns are always springing up to produce new products and to replace those which have fallen by the competitive wayside, and new products and processes are constantly replacing outmoded ones.

The insurance industry, as an integral part of this economy, must also be dynamic; it must keep up with industrial progress by developing new policies and new coverages to satisfy the changing requirements of industry for protection. We are doing this every day by issuing special endorsements to cover new developments not previously encountered; periodically a complete revision of standard policies is developed to reflect the many accumulated changes from the previous edition, and occasionally a spectacular development occurs which requires special treatment.

An outstanding example of a spectacular development was the response of the insurance industry to the requirements of the Nuclear Energy industry for liability insurance following passage of the Atomic Energy Act of 1954. This Act ended the government monopoly and permitted private firms to enter the field — one of the objectives being the more rapid development of the peaceful uses of nuclear energy. It was recognized that the catastrophe potentials, though remote, were vastly greater than anything previously encountered and unusual steps would be necessary to satisfy the needs of industry for liability insurance. Through the joint efforts of the nuclear industry, the insurance industry, and the government a satisfactory program was worked out combining the unprecedented private insurance market of liability limits up to $60,000,000 with a government indemnity program of $500,000,000 and a limitation of total liabilities to the sum of these

(More on page 18)

Risk Administration . . .

some fundamental issues

by

C. Henry Austin

Manager, Insurance Department

Standard Oil Company (Indiana)

(Address before The Risk Management Institute, ASIM — Harvard University, September 10, 1959)

C. Henry Austin

C. Henry Austin, a graduate of Washington University School of Law at St. Louis, is a member of the Missouri and Illinois bars. After doing general trial and corporation work with a Chicago law firm, he joined Standard Oil Company (Indiana). While an attorney in its Law Department he represented the company in many fields in the general practice of law. In 1950 he was appointed manager of Standard's newly organized insurance department. Mr. Austin is a member of the American Bar Association, the Illinois and Chicago Bar Associations; Vice President of the American Society of Insurance Management, Inc., and Director of Education, ASIM.

Insurance vs. Self Insurance

This subject has been presented from so many platforms, and in so many journals, that I doubt that I can offer any new and startling gems for your amazement.

It occurred to me that it would be of most benefit to all of us to return to some fundamentals in this area.

The risk manager undoubtedly starts out to accomplish his fundamental purpose, i. e., to protect his corporation against serious loss in the most economical manner possible. Unfortunately, he may become so devoted to dollar savings that he temporarily ignores the more vital problem of the catastrophic loss.

The first fundamental then, is to arrange proper protection against the catastrophe loss before attempting to effect savings in the area of normal losses.

The second fundamental is the distinction between physical damage losses (fire, extended cover, burglary, etc.) and third party losses (workmen's compensation and public liability).

Losses of the first type (physical damage) need not be adjusted unless insurance is carried. If these losses are assumed the only action to be taken is the accounting formalities for tax purposes. Losses of the second type (third party losses) must be adjusted regardless of whether they are insured or assumed.

A third fundamental to be considered is the correctness of the insurance rate structure used in the comparison of costs between insurance and self-assumption of risk. I know that none of us here would determine the cost of workmen's compensation and public liability insurance on the basis of unmodified "manual" rates, anymore than we would compare insurance premiums to losses paid without including the other costs involved such as loss adjustment expenses, safety engineering, premiums for self insurer's bonds, payments as a self-insurer into second injury funds and loss of income on low yield securities posted as guarantees to act as a self-insurer.

In the physical damage area I note a tendency to oversimplify by assuming a specified loss ratio (usually 50%) in the fire insurance rate. It is important to recognize that a particular risk may belong to the most desirable class of an entire group.

Assume, for example, that automobile service stations, storage garages, repair shops and automobile sales agencies are all classes in the same group, and the group develops the underwriter's goal of a 50% loss ratio. It is important to determine whether all four classes in this group are similar in the degree of risk involved, or whether one or more are more desirable than the others.

A fourth fundamental is the determination of perils which may be treated by self-insurance. Too often the risk manager follows the accepted definition of "insurable loss" to determine which perils qualify for self-insurance. This definition includes the descriptive phrase "a large number of homogeneous units of exposure." This phrase only specifies the condition necessary to establish the "spread of risk" sought by insurance com-

(More on page 14)

Risk Management Institute at Harvard University is Over-Subscribed

The Risk Management Institute at Harvard University, announced in the September 1959 issue of *The National Insurance Buyer,* was over-subscribed long before the actual dates of September 9th, 10th and 11th.

Those attending were:

C. W. Anthes	The American Thread Company 260 Broadway, New York 13, New York
Roger G. Belliveau	Witco Chemical Company 122 East 42 Street, New York, New York
A. E. Borkow	Harnischfeger Corporation 4400 West National Ave., Milwaukee, Wis.
J. A. Bowen	F. H. Peavey & Company 760 Grain Exchange Bldg., Minneapolis 15
Glen Buchanan	Shawinigan Water & Power Co. 600 Dorchester Street, West, Montreal, Canada
L. J. Bush	Canadian International Paper Co. Sun Life Bldg., Montreal, Canada
William G. Carpenter	T. J. Lipton, Inc. Hoboken, New Jersey
Hervey R. Chevrette	Scovill Manufacturing Company 99 Mill Street, Waterbury, Conn.
Alfred C. Emerson, Jr.	Howard D. Johnson Company 97 Beale Street, Wollaston 70, Mass.
F. L. Foote	Pacific Car and Foundry Company Fourth & Factory St., Renton, Washington
Stewart B. Fouke, Jr.	Virginia Electric & Power Company P.O. Box 1194, Richmond 9, Virginia
Arthur R. Gottschalk	The Reuben H. Donnelly Corporation Prudential Plaza, Chicago 1, Illinois
Gerard O. Griffin	Dravo Corporation Neville Island, Pittsburgh 25, Pa.
Wallace Hicks	The Garrett Corporation 9851 Sepulveda Blvd., Los Angeles 45, Cal.
J. G. Hird	The Robt. Simpson Co., Ltd. Toronto, Ontario, Canada
Wm. L. Hollingsworth	Olin Mathieson Chemical Corp. 745 Fifth Avenue, New York 22, N. Y.
Ralph D. Holt	Cranston Print Works Co. Cranston, Rhode Island
Max Klarin	Davidson Bros., Inc. 1200 East Six Mile Rd., Detroit 3, Mich.
Frank T. Koehler	National Blank Book Co. Holyoke, Massachusetts
J. Arthur Larson	Amerace Corporation 200 East 42 Street, New York 17, N. Y.
Robert W. Lee	Vulcan Materials Co. P.O. Drawer 155, Birmingham, Ala.
W. H. Leishman	The Aeroflex Corporation 560 West 42 Street, New York, N. Y.
Edward W. Lewis	Vick Chemical Co. 122 East 42 Street, New York, N. Y.
F. Y. Macmillan	Sperry Gyroscope Co. Great Neck, New York
James G. Mathis	Morrison Cafeterias Consolidated, Inc. P.O. Box 309, Mobile, Alabama
John L. Mattson	Fitchburg Paper Company 642 River Street, Fitchburg, Mass.
George L. McCready	The Cleveland Pneumatic Industries, Inc. 3781 East 77th St., Cleveland, Ohio
Heyward McLeod	National Life Insurance Company 131 State Street, Montpelier, Vt.
Annetta M. Merlino (Mrs.)	City of Hartford 550 Main St., Hartford, Conn.
Charles E. Mervine, Jr.	Richmond, Fredericksburg & Potomac Railroad Co. Room 200, Broad St. Station, Richmond 20, Va.

(Continued on page 16)

Risk Administration — Austin

(From page 12)

panies which act as "risk spreaders" rather than as "risk bearers". If the risk manager attempts to follow this approach he will seriously curtail his economic effectiveness. As an extreme example in this area consider a large manufacturing company which operates a single retail outlet for sales research purposes. Total inventory values may be relatively insignificant with respect to total corporate assets, yet it is not one of a "large number of homogeneous units". I suggest that this retail unit is a proper subject for the consideration of self-insurance, even though it fails to satisfy the traditional definition.

To recap these fundamentals then

1. Arrange protection against catastrophe losses before attempting to effect economies by the use of self-insurance in the area of "normal losses."

2. Recognize the distinction between direct damage losses which do not require adjustment and third party losses which must be adjusted.

3. Compare realistic insurance premiums, obtained by competitive quotations, with all of the costs of self-assumption.

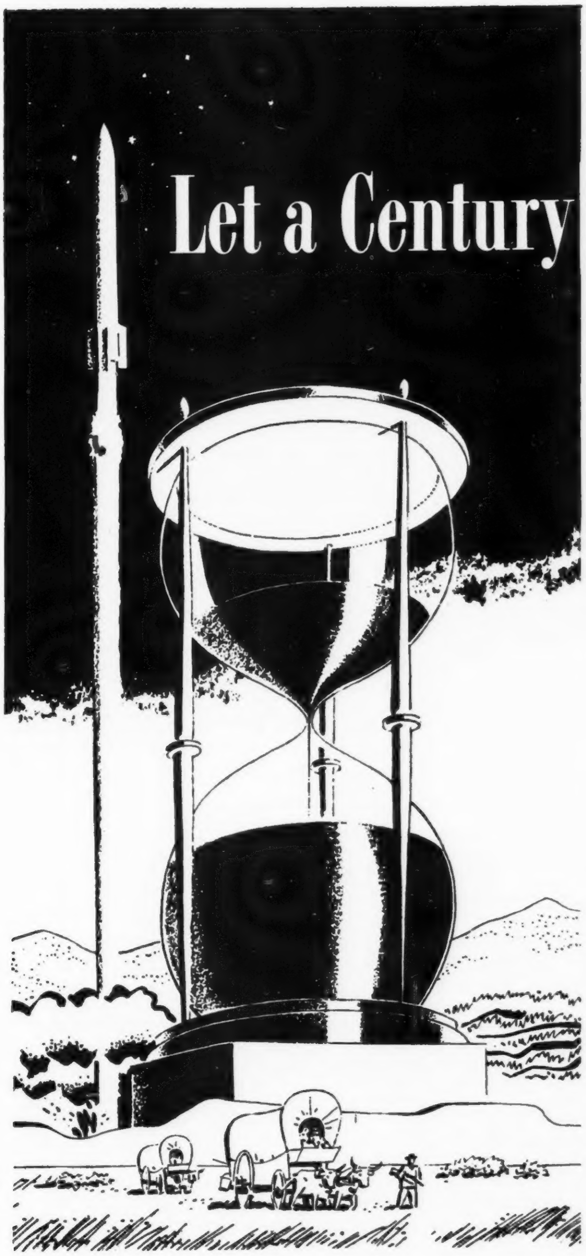
4. Do not apply traditional definitions of "insurable peril" to establish critera for the selection of subject for self-insurance treatment.

Mutuals, Stocks and Reciprocals

One of the most frequently asked questions in the past has been, "Should I insure in a mutual company, a stock company or a reciprocal?" This is something like asking, "Should I marry a blonde, a brunette, or a redhead?" This comparison is fairly apt, since insurers have changed their form of financial structure, just as ladies have been known to attempt to increase their attractiveness by altering the shade of their crowning glory.

(More on page 28)

Let a Century Serve You



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Risk Management Institute

(From page 14)

Robert V. Miller	Alexanders Dept. Stores 2501 Grand Concourse, Bronx 68, N. Y.
Ralph P. Moore	Liggett & Myers Tobacco Co. 630 Fifth Avenue, New York 20, N. Y.
H. F. Morgenthaler	Daystrom, Incorporated 430 Mountain Ave., Murray Hill, N. J.
John J. Moriarty	Boston Housing Authority 230 Congress Street, Boston 10, Mass.
J. F. Mullen	Refined Syrups & Sugars, Inc. Yonkers, New York
T. V. Murphy	Maryland Shipbuilding & Drydock Co. P.O. Box 537, Baltimore 3, Md.
H. Peters	Geigy Chemical Corporation P.O. Box 430, Yonkers, New York
Eli Polner	Federal Electric Corp. 621-671 Industrial Ave., Paramus, N. J.
B. W. Rainwater	Georgia Power Company 75 Marietta Street, Atlanta, Georgia
Claude H. Rice	The Babcock & Wilcox Co. 161 East 42nd Street, New York 17, N. Y.
Harold E. Roslund	New England Fish Co. 618 Second Ave., Seattle, Wash.
Robert J. Schiffgen	Trailmobile, Inc. 31st & Robertson, Cincinnati 9, Ohio
Charles J. Schroder	Avon Products Inc. 30 Rockefeller Plaza, New York 20, N. Y.
Raymond A. Severin	American Metal Climax, Inc. 61 Broadway, New York
R. L. Siegel	Deere & Company 525 — 16th Street, Moline, Ill.
R. J. Smith	The New Britain Machine Co. New Britain, Connecticut
Wm. J. D. Sullivan	The Kendall Company Walpole, Massachusetts
Harold A. Sykes	The F. & M. Schaefer Brewing Co. 430 Kent Ave., Brooklyn 11, N. Y.
Mark G. Veckman	Republic Aviation Corp. Farmingdale, New York
C. T. Watling	King-Seeley Corporation 315 South First St., Ann Arbor, Mich.
J. M. Weir	Price Brothers & Company, Limited 65 St. Anne St., Quebec 4, P.Q., Canada
Carl F. Wentzler	Ciba States Limited 260 Madison Ave., New York 16, N. Y.
S. F. Whaley	Consolidated Rock Prod. Co. P.O. Box 2950, Terminal Annex Los Angeles 54, California
George V. Wright	Carrier Corporation Carrier Parkway, Syracuse 1, N. Y.

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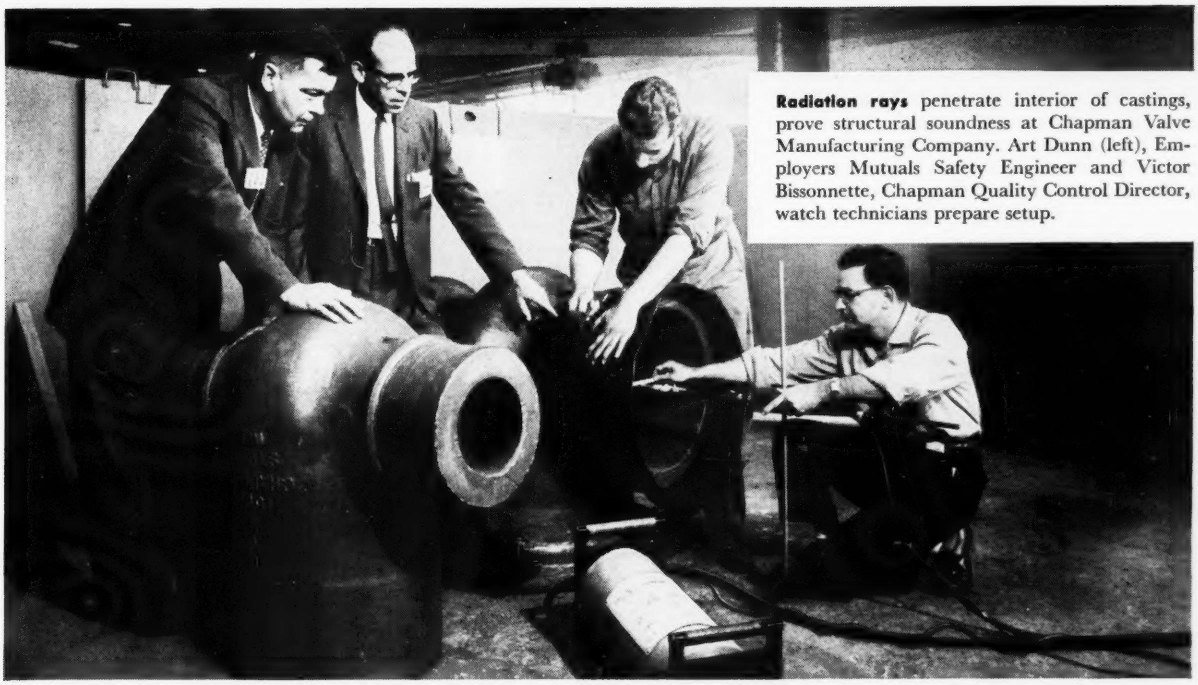
Darrell S. Ames	Eastern States Farmers' Exchange, Inc. West Springfield, Massachusetts
C. Henry Austin	Insurance Manager Standard Oil Co. (Indiana) Chicago, Illinois
A. L. Benjamin	Director of Insurance The Cincinnati Gas and Electric Co. Cincinnati, Ohio
Joseph H. Forest	Vice President, Liberty Mutual Ins. Co. Boston, Massachusetts
H. Stanley Goodwin	Vice President, McKesson & Robbins, Inc. New York, New York
C. S. Hamilton	Insurance Manager, J. P. Stevens & Co., Inc. New York, New York

(Continued on page 18)



Radiation rays penetrate interior of castings, prove structural soundness at Chapman Valve Manufacturing Company. Art Dunn (left), Employers Mutuals Safety Engineer and Victor Bissonnette, Chapman Quality Control Director, watch technicians prepare setup.

INDUSTRY FACES NEW SAFETY PROBLEMS WHEN THE "CIVILIAN ATOM" IS PUT TO WORK...

Wausau Story

by **WILLIAM UBER**
Radiation Specialist for Employers Mutuals of Wausau

"You've read that nuclear power now propels ships, produces electric power. And an estimated 1,600 companies are authorized to use radioisotopes for everything from measuring the thickness of paper to tagging different kinds of petroleum pumped through the same pipeline.

"Chapman Valve Manufacturing Company at Indian Orchard, Massachusetts, pioneered in using radioisotopes as part of their quality control program. Valves they cast might have openings up to ten feet, weigh as much as 3500 pounds. To test the casting without repositioning the big and heavy valve, a gamma source is placed in the center of the valve and a film is strapped around the outside. The full picture is taken all at one time.

"Then too, industries use nuclear energy for research. The Admiral Corporation in Chicago, another Employers Mutuals policyholder, studies the effects of radiation on electronic equipment. The parts to be studied are put into an irradiation chamber containing Cobalt 60. A project engineer watches the work through a 42 inch lead glass window . . . arranges the parts, even makes delicate connections with remote control manipulators. Chamber walls are 41 inches of magnetite ore, providing shielding equal to 7 feet of ordinary concrete.

"Guarding the safety of the men where radioactive materials are used requires special knowledge, special techniques, special instruments. The overall programs involve medical and monitoring procedures as well as mechanical protection. Employers Mutuals safety men work closely with the policyholders' health physicists and supervisors, exchange information and help watch all the details with the care radiation hazards demand.

"Sum it up by saying Employers Mutuals' chief concern is safety—reducing hazards and reducing accidents. In the field of radioactive materials, we serve progressive industry in the traditional 'Wausau Way'."

Radiation chambers at the Admiral Corporation Laboratory are surveyed by a health physicist after tests are completed. Facilities and procedures at this laboratory are models for radiological research and safety.

• • • • •

One way Employers Mutuals keeps pace with progressive industry is to provide specialists like Mr. Uber. In all fields, qualified men work with our policyholders to help solve their problems.

Employers Mutuals of Wausau has offices all across the country. We write all forms of fire, group and casualty insurance (including automobile). We are one of the largest in the field of workmen's compensation. Consult your telephone directory for your nearest Wausau Man or write us in Wausau, Wis.

Employers Mutuals *of* Wausau

"Good people to do business with"

For what it's worth...

Replacement Cost Insurance Demands Accurate Values

from the Clients' Service Bulletin of The American Appraisal Company

Replacement Cost Insurance forms indicate that two sets of essential valuation figures should be periodically updated: the cost of reproduction and the actual cash value (cost of reproduction less depreciation).

Policies are explicit

When a destroyed building is not rebuilt, the loss is settled on the basis of actual cash value. Moreover, most policies carry a mandatory (90% or 100%) co-insurance clause.

The Replacement Cost Endorsement form used in most states provides that "Liability for loss...shall not exceed the smallest of the following amounts:

"(a) The amount of this policy applicable to the destroyed or damaged property;

"(b) The replacement cost of the property or any part thereof, identical with such property on the same premises and intended for the same occupancy and use;

"(c) The amount actually and necessarily expended in repairing or replacing said property or any part thereof on the same premises and intended for the same occupancy and use."

Values should be current

Thus, the insured cannot collect for a larger and more expensive building than the old one, nor can he collect more than his cash outlay. Since new buildings are usually more modern than destroyed ones, the cost of reproduction of existing buildings should be accurately established. This calls for an appraisal before the loss and for keeping the appraisal up to date.

American Appraisals for insurance purposes are made to stand the test. The inventory of the property is complete with identifying descriptions of all items and classifications of property. The unit prices are carefully documented and the observed condition of the assets noted. The appraisal may be maintained through Continuous American Appraisal Service® to reflect changes in the property, in price levels and in condition. With such a record kept constantly up to date, the insured is always prepared for the unexpected.

Risk Management Institute

(From page 16)

David A. Ivry	Assoc. Prof. of Insurance University of Connecticut, Storrs, Conn.
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Herbert P. Schoen	Associate General Counsel Hartford Accident and Indemnity Co. Hartford, Connecticut
Steven D. Williams	Second Vice President Connecticut General Life Ins. Co. Bloomfield, Connecticut (P.O. Hartford)
James H. Young	Manager, Travel Accident and Special Hazards Division Johnson & Higgins, New York, N. Y.

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Liability Insurance — Forest

(From page 10)

two amounts.

One area of general liability insurance that has been developing rapidly is that created by the demand of insurance buyers for broader coverages. There has been a decided change in recent years in the thinking of corporate risk managers who seem to want coverages to sweep in areas of liability that traditionally have not been considered proper subjects for insurance, but which are more properly matters of basic business hazard, the costs of being in business, or the entrepreneur's risk, if you prefer.

Another development which has been intensified in the past several years due to the overall adverse experience of fire companies is the activity on the part of these fire companies to recoup part of their losses by subrogation activity against manufacturers of defective products or suppliers of services which may have caused the fire. With price levels what they are and the probability of their being higher in the future, we can expect a further increase in this subrogation activity which will have the effect of increasing your cost of general liability insurance.

Having just touched on inflation, we should note that this force which erodes our dollars poses very definite problems for the future. Although in 1959, its advance has been temporarily halted, the long-term outlook is for further inflation of price levels. This means that in the future we can expect higher medical costs, higher jury awards and higher costs of replacement of damaged property. As buyers of insurance, you are vitally interested in these developments, as they directly affect the price you will be paying for insurance in 1965 and 1970. Between the years 1948 and 1958 the average general liability bodily injury claim paid by Liberty Mutual increased over 150% because of inflationary factors. We all hope that any further inflationary tendency of our economy will not produce effects so adverse in the next ten-year period.

Necessarily related to inflation and rising claim costs is the prob-

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Deductible Insurance — Cristy

(From page 6)

should it pay premiums to insure the first $50,000 of any loss? Of course, we may be obliged to insure the first dollar of risk in order to get necessary inspection or claim services. But this does not change the economic truth that in the long run most of us will waste our corporations' dollars if we disregard their ability to absorb small losses and buy insurance either covering the first dollar of loss or with only nominal deductibles.

Probably it is unnecessary to point out that corporate risk managers realize insurance is a necessity, except perhaps in a few of the very largest corporations. But judging from the attitude of some agents and insurers it *may* be necessary to point out that when a company tries to avoid insuring the small risks it can safely bear, it is not necessarily advocating complete non-insurance or self-insurance. Most corporations which advocate non-insurance of *small* risks know they have a vital need for insurance to cover the big risks. A corporation certainly can have an insurance program without deductibles. I suspect there are many that do. But if any of you have such programs, and if your associates seem content with the status quo, I would prescribe a little soul searching.

Most of us work for companies that are large enough so that, we are in effect our own insurers, except for catastrophe losses. In the long run we are going to pay nearly two dollars in premiums for every dollar of insured loss. It is old stuff with us to hear the wailings of insurance companies when losses go over 55% of premiums, but do our associates know the significance of this? Do our associates understand that over the years, and again, except for catastrophe losses, a program insuring first dollar losses will cost more than one in which the smaller risks are retained and only the significant risks are insured? I submit that it is not enough for the risk manager to know this. He has a responsibility to educate his associates, and, after he has put the point across, to get top management to approve his putting it to work. This is the process of establishing corporate policy on risk retention and insurance. I know that some insurance managers are allergic to corporate policy in the area of insurance. They say a corporate policy on insurance would restrict their actions. Others feel it would have to be so broad as to have no meaning. Perhaps they would accept the idea if we used another term such as "philosophy" or "guiding principle." Call it what you will, I think it is necessary to have top management understanding and approval before we risk managers can do a consistent and fully effective job of using risk retention to control the costs of risk management.

For several years we reported to Upjohn top management that we were "guided by the principle that the risks of property damage, legal liability, or dishonesty should be insured as far as practicable whenever the occurrence of a loss could significantly affect the company's operations or financial position, and should be assumed by the company in all cases where the exposure is so small or dispersed that a loss would not be significant." After the guiding principle was generally accepted we called it policy, but in fact it was a policy all of the time. A policy *is* a guiding principle. Acceptance of the policy came after a continuing educational program which pointed out the logic of non-insurance of small risks which the company could afford to carry.

When the principle was first advanced we talked about the retention of only very small risks. As the principle gained acceptance our associates raised their sights. Currently we will consider non-insurance up to a quarter of a million dollars. We don't have a deductible this high as yet but we shall buy one if and when we can get enough premium discount. Our policy is admittedly very broad, It is simply a guiding principle. That is all we think a policy should be. Arising from this guiding principle is a specific plan of action which indicates how much risk the company is currently willing to bear. The plan of action changes from time to time but not the guiding principle. Having a stated and accepted policy and plan of action, we can take various approaches to risk retention knowing that top management understands what we are aiming for and why we seek it. If you feel you must wait for top management to hand down policy you might take note that in at least one case policy was designed by specialists, then sold to others in management. This seems logical in the area of risk control since top management needs help from the specialists in order to understand the problem.

Based on what I have said here, it is clear that our policy on risk retention and insurance is simply the statement of a principle which guides most risk managers. Not many risk managers try to insure everything against everything. For example, few corporations of any size carry plate glass insurance. And many have elected not to insure company owned cars for collision. This is a part of risk management and it is certainly risk retention. If it is true that all companies practice risk retention to some degree, is it not true that all are guided by the same principle: retain the small risks and insure the large ones? The differences among corporations are not in policy but in practice. How much risk can this or that firm bear without outside help? How consistently do we follow this guiding principle? Do we retain some small risks and insure others of about the same

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Deductible Insurance — Cristy

(From page 20)

size? Would we absorb the total loss of a $5,000 automobile but carry first dollar fire insurance on our plant and equipment?

The quality of job we do as risk managers depends in considerable degree on how clearly we recognize the principle and how consistently we apply it. I am sure your job will be much easier if your top management understands and accepts the principle also. Recently I ran into an insurance manager who understood the principle but had not bothered to educate his associates. He discontinued collision insurance on a company limousine, but he failed to inform his associates. One day a top executive told my friend the car had been wrecked. He added: "Of course this is all covered by insurance, is it not?" Now there was no need in that company to insure a $6,000 car, but the insurance manager was wrong to try non-insurance without first getting the principle accepted by his associates. Risk retention is sound, but we must teach our associates a few insurance fundamentals before this truth will be clear to them. Having accomplished this, a prudent risk manager will consolidate his gain by putting the principle in writing and letting all know he considers it a guiding principle for long term use. He can call it a policy, or not, as he pleases.

The second point in the original thesis is that deductible insurance is essential in a program of risk retention. If we agree it is sound to practice non-insurance of small risks up to the limit of our ability to absorb losses, it seems right to do the same with large risks by using deductibles. The principle is the same. The economics are almost the same. Henry Theobald of the School of Business at Northwestern University said recently, "Deductibles — from the point of view of the corporate risk manager or insurance buyer — provide a balance between an illogical program of self-insuring all losses regardless of amount and the expensive program of trying to fully insure all losses including those which are comparatively inconsequential."[1]

Many people are talking about deductibles these days, but do many buy them. If we refer to deductibles which merely eliminate nickle and dime claims, we must agree that many do buy them. They are especially common in personal insurance. In corporate insurance you generally have to take a deductible if you want a Manufacturer's Output policy. The Factory Mutuals write deductible fire insurance but their average size deductible is only $5,000. A lot of their clients must have deductibles of only $1,000 or $2,000. But when we refer to deductibles which cut out small losses and permit significant risk retention as well, we find fewer people buying them. Recently an insurance company executive tried to convince me that people wouldn't really buy deductibles if they could get them. He thinks there is a lot of talk but no real demand. On the other hand, Mr. Bradford Smith, Executive Vice President of the Insurance Company of North America, told an A.S.I.M. group last November, "Actually there is a greater demand for deductibles . . . than is recognized by Underwriters in the traditional American Market." I think that as more and more risk managers see the logic of thoughtful programs of non-insurance, the demand for, and use of, deductibles will increase. Right now first dollar insurance is the easy trail for many of us. It may be hard to convince your associates that deductibles are sound. Then, unfortunately, if you make that sale your insurance carrier may say, "We don't believe in deductibles," or "Nobody really wants deductibles."

Last spring, at a conference on casualty insurance, Mr. Ambrose Kelly, General Counsel for the Associated Factory Mutual Fire Insurance Companies, told the editors of the McGraw-Hill publications: "Deductible fire insurance is normally frowned on by the bulk of the organization companies, but there are such sturdy stock companies as the Insurance Company of North America and the Chubb group which will write insurance on a deductible basis for those who want it. Many of the general writing mutuals are also providing coverage on a deductible basis. . . .

"I think it's hard to explain to a large corporation which has ten million dollars in property insured which is carrying a half million dollars in its cash account that it should be concerned with collecting every thousand dollar loss.

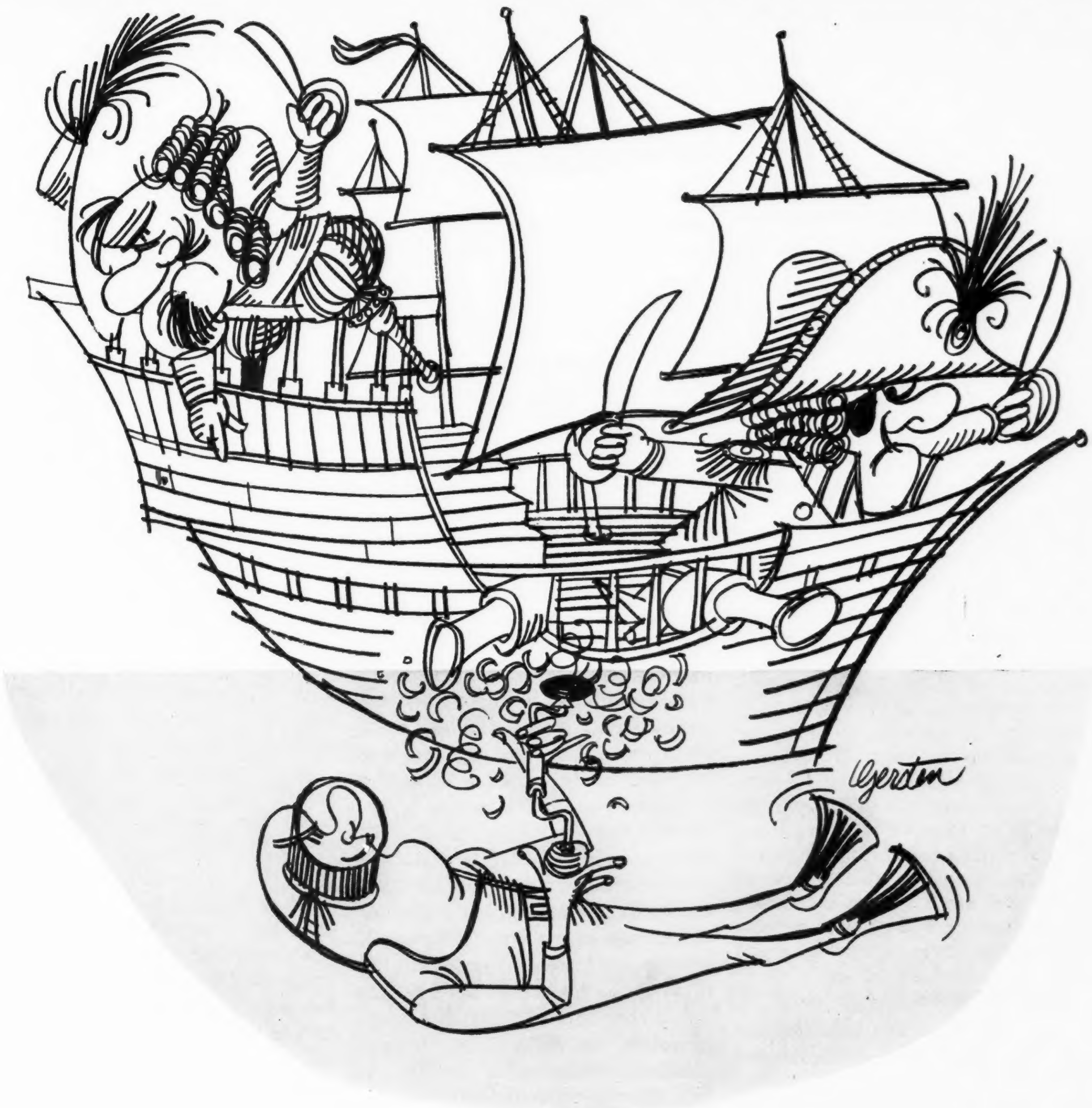
(Deductible insurance) Mr. Kelley continued, "is a big thing now and it is going to be a bigger thing. It's responsible for one of the finest internal fights you have ever seen . . . The stock companies are bitterly opposed to the general use of deductibles in fire insurance because it will cut the heart out of premiums . . . If they go to deductibles in the field of industrial insurance where they have over one hundred billion dollars worth of property insured, it becomes kind of hard to argue that deductibles are immoral and sinful when applied to general business. . . ."[2]

Agents are talking about deductibles, too. At the Buffalo "I" day meeting held last April in conjunction with a meeting of the Eastern Agents Conference there was a forum session on deductibles. Members of the panel, all C.P.C.U.'s, covered both the pros and cons of deductibles. As you might expect, most of the discussion centered around the smaller lines which occupy a large part of the average agent's time. In general the con-

(More on page 24)

[1] *How Risk Managers Can Apply Deductibles*, Henry E. Theobald, *The Spectator*, January, 1959.

[2] *How Business Can Cut Its Insurance Costs*, American Mutual Liability Insurance Company, 1959.


Gersten

Deductible Insurance — Cristy

(From page 22)

clusions were favorable to small deductibles to eliminate nuisance claims, or control the cost, or make the risk insurable. Granting that agents have reason to object to deductibles because they reduce commissions, one of the speakers said, "We find the greatest number of objections to an extensive use of deductibles comes from the ranks of the insurance companies themselves.

"One of the company associations made a study of the pros and cons of deductibles and concluded that the use of deductibles in fire insurance was not in the best interest of either the public or the insurance industry. The reasons for this conclusion include . . . a number . . . which have a good deal of merit.

"The first is that deductibles encourage self-insurance or self-assumption of risks. Once a deductible becomes readily available it may become difficult to limit the size that it may reach. If a policyholder gets into the habit of paying small losses out of current income as an expense of doing business, as his income and business increase he will be able to assume more and more on his own risk. His deductible will grow to a point where he is buying excess coverage only at a fraction of the cost of normal full coverage.

"At this point the traditionally operated companies have forever lost him as a customer."[3] Speaking for myself, I agree that as corporate insurance buyers gain experience with deductibles they will become aware of the additional economy of larger deductibles. However, I cannot concede that this has to remove the traditionally operated companies from the picture.

The speaker went on to say, "Objection number two from the companies is that deductibles increase the relative cost of inspecting and servicing the larger risks. Almost all companies spend a good deal of time and money in inspecting their insureds' properties with a view toward eliminating hazards. This practice would have to be continued even if the policies issued contained a deductible. Obviously the use of a deductible would lower the premium collected by the company while the inspecting and servicing cost would remain constant. Consequently, this cost would represent a larger percentage of the company's premium."[3] I think this is quite true but it does not seem a valid objection to writing deductibles.

The agent went on, "Similarly there would be little, if any reduction in any of the companies' fixed expenses. It certainly costs as much to issue and process a policy with a deductible as it does a policy without one. Almost all the costs incurred by the company in doing business would continue while the company's premium income is reduced. Therefore, the portion of each premium dollar apportioned for expense would increase substantially giving always a smaller percentage of the same dollar available to pay losses."[4] Here again the observation is correct, but I do not agree that this constitutes a valid objection to deductibles. If you eliminate substantial dollars of loses by putting a deductible in the contract, you naturally expect the loss part of the premium dollar to be reduced.

Here is one more company objection recorded by the agent. "One of the most important objections to the use of deductibles concerns itself with loss prevention and safety. If the insurance company is no longer responsible for small losses they may no longer be made aware that a certain risk might develop a frequency of small losses that the carrier doesn't even know about. This would deny both the insured and the company the extra protection afforded by determining why small losses occur and preventing their recurrence. If these small losses aren't investigated and their causes eliminated, the next loss from the same source may well prove to be a very serious one."[5] I think that it is in the interest of the corporate buyer to consult with the carrier on small losses and the matter of communication should not be a big problem. Deductibles can increase the insured's interest in loss prevention. This is often used as an argument in favor of deductibles.

After insurance was written with a deductible, Ambrose Kelly told the McGraw-Hill people, "The recommendations for improvements in branch plants which hadn't been carried out in the past are being carried out now because the company advised all of its branch managers that they will be charged, as part of their operating costs for the year, with any losses which are under the deductible."[6]

As I indicated, the conclusions reached by the Buffalo "I" Day panel were generally favorable to small deductibles, but the implication was that additional selling is needed to get wider acceptance. The final comment of one of the agents seemed a rather significant confession. He said, "Perhaps what we need is a general re-education of the public. For years we have sold them on the idea of full coverage but now it is evident that we must start re-educating on the true concept of insurance — that it is not to protect the insured against the small loss that he can bear himself but rather to indemnify him against the larger losses which he cannot absorb."[7] To this I would add, perhaps some of the insurance companies could stand some re-education on the true concept of insurance.

This paper is intended to point out to corporate insurance buyers the soundness of deductibles in risk

(Concluded on page 47)

[3]Herbert J. Preve, CPCU, Eastern Agents Conference, April, 1959.

[4]Ibid.

[6]*How Business Can Cut Its Insurance Costs,* American Mutual Liability Insurance Company, 1959.

ference, April, 1959.
[7]Ivor D. Nicholls, CPCU, Eastern Agents Con-

Claim Facets — Schoen

(From page 8)

— is *pleasing people* and in that, your casualty claim operation plays a very important part.

In pleasing people, *your* claim department — and I mean your insurance company's claim department because in a very real sense it is *yours* — is your partner and will, like all partners, be only as good a partner as your thoughtful cooperation makes it.

As Mr. Boulware of the General Electric Company stated rather well, I thought, some time ago, the ultimate business of businessmen is *pleasing people.*

In fact, we please five groups of people.

1. We have to *please people as customers,* or they will trade elsewhere or go without.
2. We have to *please people as employees,* or they will quit or slow us down.
3. We have to *please people as owners,* or they will change managers or withdraw their investment.
4. We have to *please people as other businessmen* or they will not cooperate with us, and
5. We have to *please people as citizens* or they will deny us a business climate in which it is rewarding or even possible for us to live.

Your casualty insurance company is *your partner,* not your enemy, in pleasing these *five* different groups of people.

Let us first look at *people as customers,* and since we can all agree that without customers none of us would be here; in fact, some of us would not be eating.

Pleasing Customers

The only good accident is the one which doesn't happen and here a vital role of your casualty insurance company is accident prevention and safety engineering. A substantial percentage of your premium dollar is devoted to such safety engineering and the accumulated knowledge of a good insurance company in this field is rarely matched by the capacity of any *one* industrial concern.

However, no matter how effective an accident prevention program may be, unfortunate accidents do arise and the only way to please people as customers — as well as people as claimants — is to have an immediate and effective investigation made of all of the facts and *if legal liability is present — but not* otherwise — make equitable adjustment with the claimants.

Now, efficient claim adjustment and even good customer relations do not necessarily mean *every claimant* must be paid to the limit of his not infrequent fantastic desires. Remember the article in Harper's Magazine (January, 1957) entitled "Damage Suits: A Primrose Path to Immorality" wherein it was noted that one Eugene V. Donovan sued the City of New York for *half a million dollars* because a patrolman detained him *half* an hour while checking his license after he had crossed a white line? No, we just can't pay *everything* or *everytime* a claimant asks.

All accidents do not give rise to legal liability and those which do must be equitably appraised and some must be litigated. Improper and inflated claims must be resisted or your business will become known as a charitable institution — and your insurance premiums will skyrocket.

Think of the polio vaccine cases and the *public* as well as customer relations problems arising out of those unfortunate product liability cases.

Here your casualty claim department should be an integral part of your sales and public relations department; but if claims must be disputed and litigated, the full cooperation of the insured is essential. Such cooperation is the keystone of the partnership.

Pleasing Employees

Accident Prevention and good claim handling in the field of workmen's compensation and employer's liability is vital to the peace of mind and cooperation of our associates. Industrial accident claims are among the most difficult to equitably resolve because they affect the people we know and love — our fellow workers.

Here, your casualty claim department should be an integral part of your personnel department and the partnership maintained.

Pleasing Owners

Next we said we must *please people as owners or* they will get *new* managers—perish the thought.

Now, of course, casualty insurance pleases people as owners because it insulates owners from the shock impact of large losses by the payment of relatively small premiums. To be *under* insured or *not* insured *when* and *where* catastrophe strikes, needlessly puts at risk the financial stability and perhaps the very life of a business.

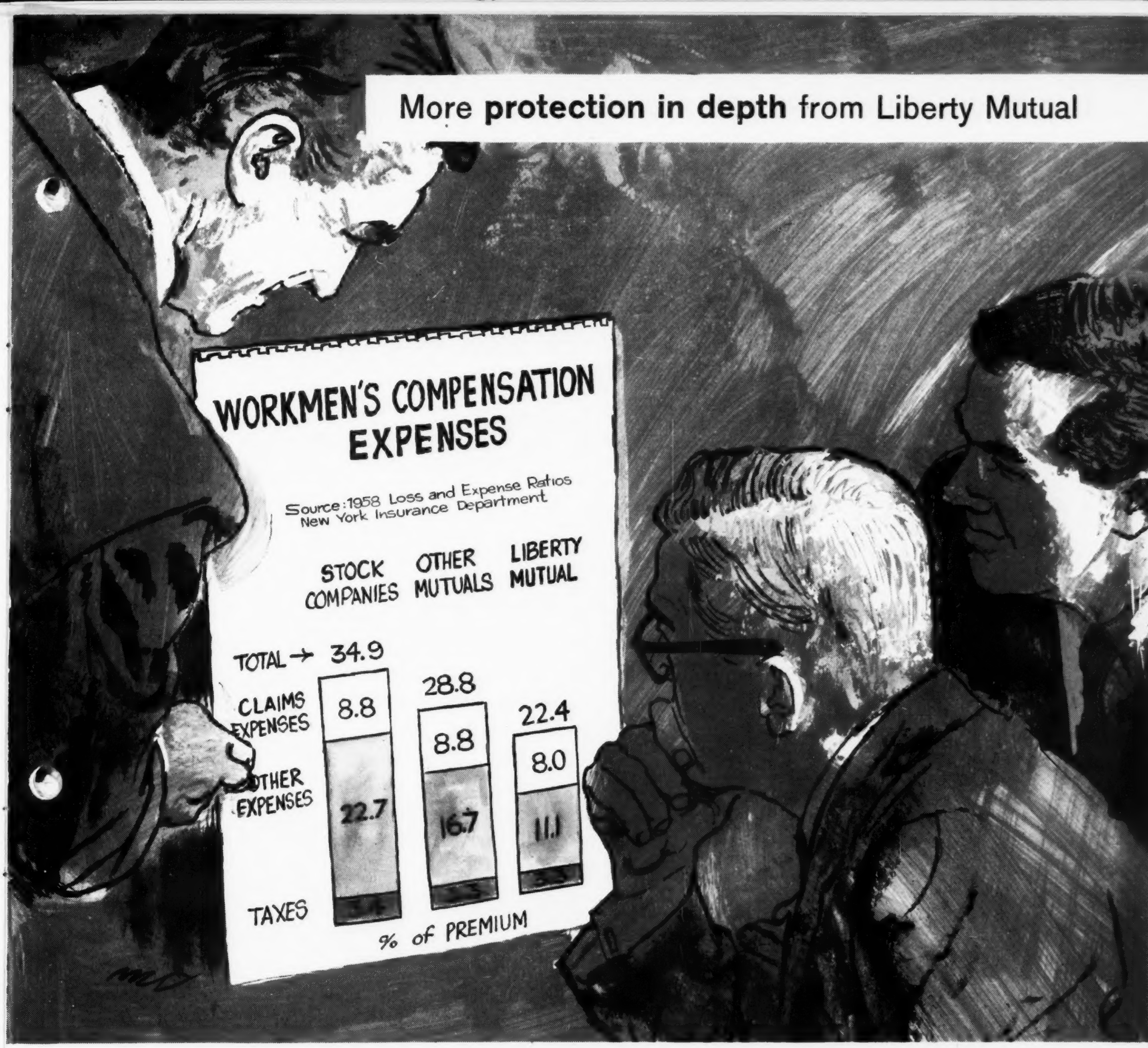
Many companies could not stand the 11 or 12 million dollar loss incurred by an oil company a few years ago because of contaminated cattle feed. This case involved, as some of you may know, a new lubricating oil suggested for use in machinery processing cattle feed and some oil contaminated the feed. Fortunately, much of the $11 or $12 million loss was covered by Products Liability Insurance.

Here, *your* casualty insurance and claim department should be a support to your investment and management functions.

Pleasing Other Businessmen

The presence of good casualty insurance as verified by certificates of insurance and especially vendor's products liability insurance goes far toward pouring lubricating oil in the gears when we mesh with other businessmen. If such other businessmen know and have confidence in the claim administration of your insurance company, they will be more cooperative so, here, *your* casualty insurance claim department aids and abets your best business efforts.

(More on page 32)



Why your insurance costs go down when Liberty Mutual handles your workmen's compensation

The price you pay for workmen's compensation insurance hinges directly on the cost of accidents and losses and your insurance company's cost of doing business.

Through protection in depth Liberty Mutual not only helps you prevent accidents, but lessens their impact when they occur. Added to this forward-looking concept of loss control is Liberty's outstanding record for keeping operating expenses at a minimum. Year in, year out, these expenses are lower than the average for all companies (as shown by 1958 Loss and Expense Ratios — New York Insurance Department).

Important? Last year alone Liberty's workmen's compensation policyholders received $22,900,000 in savings — $4.8 million under retrospective rating plans and $18.1 million in dividends. We have also helped many policyholders earn experience rating credits which will reduce their future premiums. Liberty Mutual policyholders enjoy premium discounts allowed under rating plans in the amount of a little more than $3 million.

Such savings have helped make Liberty Mutual the leading writer of workmen's compensation insurance every year since 1936.

Want to see your compensation costs go down? Write or phone your nearest Liberty Mutual office. There are 146 of them located all across the country.

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Business Insurance: Workmen's Compensation, Liability, Group Accident and Health, Fire, Fleet and Crime

Personal Insurance: Automobile, Fire, Inland Marine, Burglary, Homeowners'

Risk Administration — Austin

(From page 14)

I suggest that you do not judge the company by the color of its hair, but rather by its performance, financial stability, underwriting philosophy, and the cost of its services.

Certainly there are some advantages to dealing through an agent of a stock insurance company. The agent has certain authority which brokers do not have. The possible disadvantage to this source, however, is that the agent's contract with his company may result in a misplaced loyalty to the company. If your workmen's compensation and public liability insurance is placed through agent "X" with stock company "A", the agent will tend to place your criminal loss protection with the same company, even though company "A" may not have the most aggressive underwriting philosophy in this second area.

It is important to recognize that mutual companies do not limit themselves to business produced by their own employees. Most, if not all, of these companies will accept desirable business from other sources, and rates which do not permit the payment of commissions may permit the payment of "engineering" fees.

The risk manager is interested primarily in developing proper coverage at the most economical rate in financially sound insurance companies which are equipped to pay losses and render essential services. I do not know why any risk manager should limit his placements to a specific type of carrier, anymore than he should limit his placements to a particular insurance company.

The selection of an insurance company then, depends upon the type of risk to be insured and the type of protection required. If the purchaser is seeking loss protection only, and does not require any loss prevention or loss adjustment services, he will make his selection on the basis of the rates quoted and the financial stability of the competing companies. It is entirely possible that a relatively small local company may offer better services in a particular geographic area than a much larger "nationwide" company. If the financial resources of the local company are adequate to the needs of the insured, there is no reason that he should not take advantage of its better facilities.

The problem of selecting carriers has been complicated by the trend to multiple-line underwriting. Unfortunately, this goal has not been truly obtained as yet, and many multiple-line companies are still predominantly either fire or casualty insurance carriers. Until they do become truly multiple-line, it is essential that the risk manager recognize each company's predominant abilities. It is obvious that the volume of fire insurance written by a company in a particular state is no measure of that company's casualty claims facilities in that state.

One pitfall to avoid in comparing quotations is the "declination quote". Some underwriters prepare quotations which are known to be high, rather than decline to quote. They apparently feel it would be disadvantageous in the future if they refused to quote on the current offering. They are, in effect, paying lip service to the motto "We write anything". A quotation of this type, if it goes unrecognized, may put the lower quote in an unjustified good light. This sort of quotation can be avoided by a more careful selection of the carriers asked to quote.

It is fairly common for two or more brokers or agents to be asked to quote on the same coverage. I do not believe it is improper to ask each agent or broker to specify the company or companies he is going to approach. Only in this way can the risk manager be certain that a fair canvass of the market will be made, and that duplication and confusion will be avoided.

Captive Insurance Companies

It is important that we properly define this term. I classify as a captive insurance company any company owned primarily to write insurance for a single industrial firm or a group of closely allied firms.

The formation of this type of company was encouraged principally by two factors. The first is the existence of state rating laws which restricted rating freedom coupled with laws which forbade self insurance. This factor is not of serious importance today. The second factor is the provision in the federal tax regulations which prohibits the tax free accumulation of self-insurance reserves.

It is apparent that formation of such a company should not be contemplated without the advice of competent tax attorneys, in order to maintain the distinction between tax avoidance and tax evasion.

It is also obvious that the premiums paid into such a company must be justifiable to the tax authorities.

Further, any necessary reinsurance should be determined and commitments from reinsurers obtained prior to formal establishment of the captive company.

At a recent (American Management Association) conference the representative of a group of affiliated retail stores described the operation of a reciprocal established to provide physical damage coverage for the member stores. In that case the purpose and operation of the reciprocal appeared ideally suited to the needs of those particular insureds.

I do not foresee any strong trends in this direction, however, since the corporations which could conceivably establish such captive companies fall into two classes, by size. The first class includes individual companies large enough to form such a captive company independently. Companies this large are probably taking full advantage of self-assumption at present.

The second class includes companies which would require the cooperation of others in their industry to establish a market large enough to justify the formation of a captive company.

I believe that these companies would prefer that their underwriting data be divulged to an independent insurer, rather than be made available to their competitors. There is the further problem as respects charges of "oligopoly" and "restraint of trade" that constantly threaten whenever any large group of members of a particular industry act in concert in any area.

Primary and Excess Covers

This distinction is more easily captioned than explained. In the area of liability cover, it could refer to manual basic limits and excess limits. It could also refer to the coverage retained by the direct writer and the portion ceded to reinsurers. It could also refer to the

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W. Howard Clem Elected President of the American Society of Insurance Management, Inc.

W. Howard Clem, Assistant Treasurer in charge of Insurance and Banking for Schlumberger Well Surveying Corporation, Houston, Texas, was elected president of the American Society of Insurance Management, Inc. at the Eighth Annual Meeting of ASIM held at The Drake, Chicago, Illinois, November 1, 1959.

Mr. Clem succeeds H. Stanley Goodwin of McKesson & Robbins, Inc., New York, who will serve as Chairman of the Executive Committee.

Serving with Mr. Clem are: T. V. Murphy of Maryland Shipbuilding and Drydock Company, Baltimore, Maryland, as first vice president; C. Henry Austin of Standard Oil Company (Indiana), Chicago, Illinois, as second vice president; F. W. Norcross, The Budd Company, Philadelphia, Pennsylvania, as treasurer; and Merritt C. Schwenk, Jr., Freuhauf Trailer Company, Detroit, Michigan, as secretary.

Peter A. Burke will continue as Managing Director with offices at 8 West 40th Street, New York, N.Y.

Regional Vice Presidents

Newly elected Regional Vice Presidents are B. W. Rainwater of Georgia Power Company, Atlanta, Georgia, succeeding Mr. B. M. Hulcher; and Mr. R. S. Johnson of St. Paul Terminal Warehouse Company, St. Paul, Minnesota, succeeding Horace Noland.

Directors Elected

New Directors for the 1959-1960 term are:

Atlanta: Wm. H. Quay, Jr., The Coca-Cola Company; Central Illinois: A. A. Baker, Funk Bros. Seed Company; Central Massachusetts: Robert R. Neilson, Morgan Construction Company; Central Ohio, Edward W. Alstaetter II, North American Aviation, Inc., Chicago; E. R. Zimmerman, American Bakeries Company; Cincinnati, Henry A. Newman, Andrew Jergens Company; Cleveland: Paul MacDonald, Carling Brewing Company; Connecticut Valley: Darrell S. Ames, Eastern States Farmers' Exchange, Inc.; Dallas-Forth Worth: T. T. Redington, Jr., Dresser Industries, Inc; Delaware Valley: Charles R. Garton, Atlantic City Electric Company; Detroit: Robert M. Cone, General Motors Corporation; Houston: G. L. Foley, Humble Oil Refining Company; Maryland: Edward M. Walton, Harry T. Campbell Sons Corporation; Minnesota: Howard T. Weber, Minnesota Mining and Manufacturing Company; Montreal: J. G. Harper, Northern Electric Company, Ltd.; New York: Frank Hornby, Jr., U. S. Industries, Inc.; Northern California: Russ W. Humphrey, Southern Pacific Company; Oregon: Fred L. Mattson, West Coast Lumbermen's Association; Pittsburgh: Ralph W. Low, Westinghouse Electric Corporation; Southern California: Harvey Humphrey, Title Insurance and Trust Company; Virginia-Carolina: George J. Morrissey, Reynolds Metals Company; Washington: Lon Varnadore, Weyerhaeuser Timber Company; and Wisconsin: A. A. Widtmann, A. O. Smith Corporation.

W. Howard Clem

W. Howard Clem, president of The American Society of Insurance Management, Inc. is Assistant Treasurer in charge of Insurance and Banking for Schlumberger Well Surveying Corporation, Houston, Texas.

Mr. Clem was first vice-president of ASIM, and past president of Houston Chapter of ASIM.

He received his A. B. degree from Illinois College and his LL.B. degree from the South Texas College of Law. He held the position of Insurance Investigator for the Retail Credit Company from 1938 until 1942 and after four years of military service, he joined Cravens, Dargan and Company as claim adjustor. He joined Schlumberger Well Surveying Corporation in 1950 as Assistant Insurance Manager.

He is a member of the Society of Chartered Property and Casualty Underwriters and a member of the planning council of the American Management Association Insurance Division.

Liability Insurance — Forest

(From page 18)

lem of limits of liability. Higher jury verdicts and increased property values have paced a vigorous demand for huge limits of liability. Prior to World War II, general liability limits of $1,000,000 were the exception, whereas today limits much higher are commonplace. This is a new frontier which is being progressively extended, and is an area of demand which the insurance industry with its domestic and foreign reinsurance facilities should be able to satisfy.

Along another vein we find that changing legal concepts are creating broader liabilities in many instances such as a break down in the doctrine of privity in many states, continued whittling away of the doctrine of charitable immunity by the courts, an increase in the responsibility of the employer and his supervisory employees to provide a safe place to work, greater liabilities for safe disposal of industrial wastes, and the broadening concepts of products liability whereby the manufacturer or provider of services is being held for greater responsibility for damages arising out of his products or services.

These developments and demands ultimately wind up in the underwriting department as requests for broader protection of some sort. It is the underwriter's function and responsibility to determine how far and how fast the frontiers of liability insurance will be extended to keep up with this demand. I hope you agree that we have performed these functions reasonably well by satisfying most of the legitimate requests for broader coverage, although there are some areas where less than complete satisfaction has been provided — after all, we wouldn't qualify as underwriters if we didn't say "no" occasionally.

So much for general comments on the liability situation which is so broad and complex, and changing so rapidly, that any number of facets would present interesting subjects for discussion in such a meeting as this. However, rather than generalize any further, I would like to discuss two specific areas which have been suggested as being of particular interest to this group. The first of these is the granting of property damage coverage on an "occurrence" basis; and the second, which we have just noted, is the expanding area of "safe place to work" liability.

Occurrence Basis

Taking the first of these, let's consider the underwriting of property damage legal liability on an *occurrence* basis. This is an area of liability insurance which has received a lot of attention in the past few years, largely because of the demand by buyers of insurance for the broadest possible coverage. It is a subject on which there is far from unanimity of opinion, even within the insurance industry itself; so I particularly welcome this opportunity to explore some of its ramifications with you.

Perhaps the best approach would be to start with a statement of a typical endorsement used to convert the "accident" coverage of the standard policy to an "occurrence" basis.

Such a typical endorsement reads as follows:

"The words 'caused by accident' are deleted and elsewhere the word 'accident' is amended to read 'occurrence'.

"The word 'occurrence' means an *unexpected* happening or event or a continuous or repeated exposure to conditions which results in injury to or destruction of property, including the loss of use thereof, during the policy period, provided the insured did not know or intend that injury would result. All damages arising out of such exposure to substantially the same general conditions shall be considered as arising out of one occurrence. Coverage shall cease on any occurrence immediately on notice of claim or suit to the insured or any of his employees.

"With respect to such damages caused by exposure to injurious conditions over a period of time

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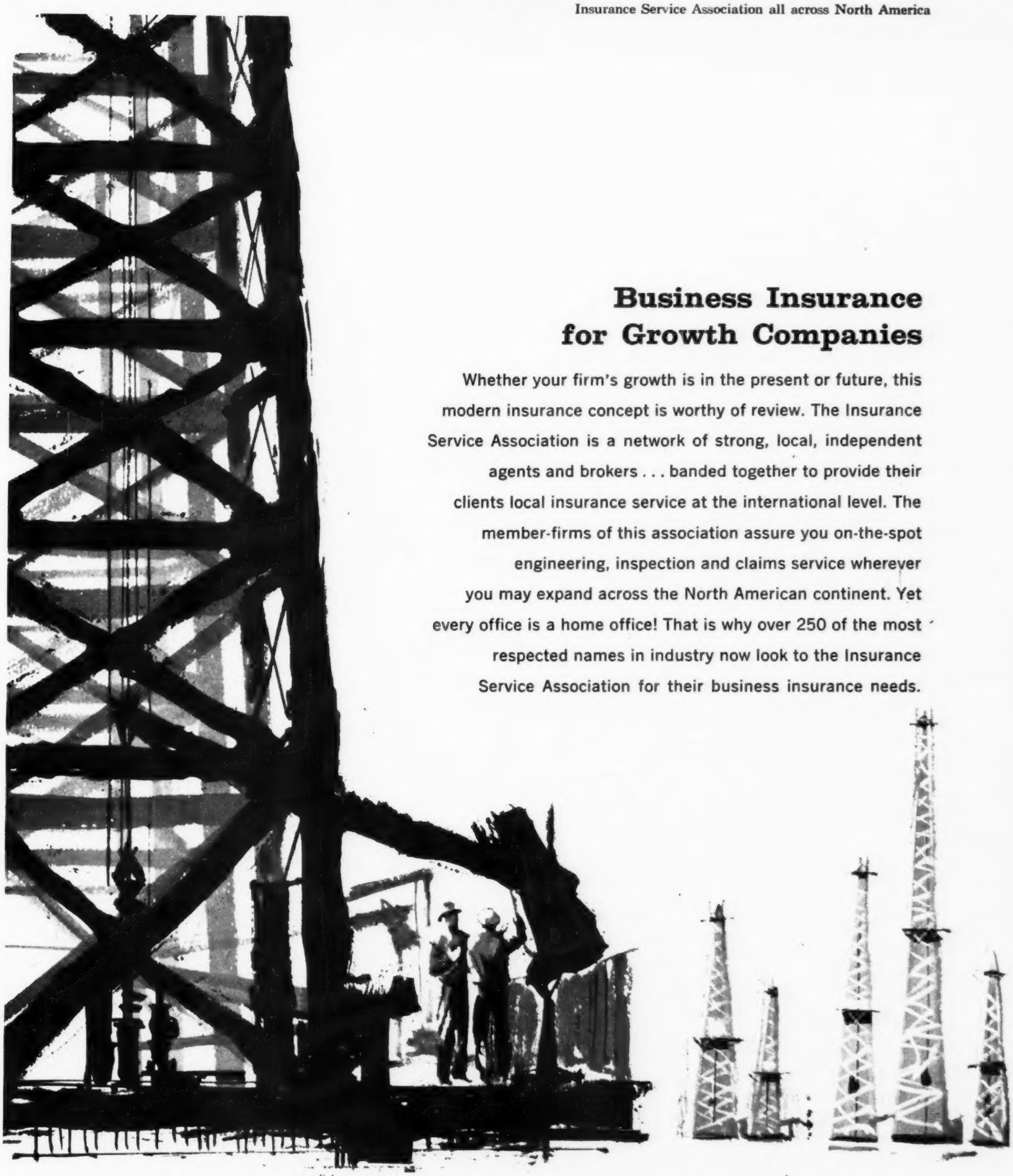
Case in point: **Various major oil companies now place business insurance through the vast network of the Insurance Service Association all across North America**



Business Insurance for Growth Companies

Whether your firm's growth is in the present or future, this modern insurance concept is worthy of review. The Insurance Service Association is a network of strong, local, independent agents and brokers . . . banded together to provide their clients local insurance service at the international level. The member-firms of this association assure you on-the-spot engineering, inspection and claims service wherever you may expand across the North American continent. Yet every office is a home office! That is why over 250 of the most respected names in industry now look to the Insurance Service Association for their business insurance needs.

"every office a home office"

Contact a member-firm near you *soon*. They will send you literature which fully outlines their service. Or, if you prefer, a principal will arrange to meet with you at your convenience.

Insurance Service Association

Claim Facets — Schoen

(From page 26)

Pleasing Citizens

Years ago businessmen incorporated for the main purpose of *limiting* their liability; the theory being that if large liabilities were incurred, the corporation could evade them by going into bankruptcy. Fortunately, however, this disregard of *people* as citizens no longer prevails.

For instance, in 1954 when the peacetime use of atomic energy was made possible and for the first time American corporations had an opportunity to enter the nuclear energy field, such corporations fully realized gigantic liabilities *might* arise from the nuclear energy hazard. It has been estimated that an excursion of contaminated waste products from a larger reactor could do a billion dollars of damage. But American corporations scorned attempting to evade such liabilities by the creation of separate and sham corporations of limited financial responsibility; and rather, such corporations turned to private and Government insurance. This, of course, was the *genesis* of the nuclear energy liability and property insurance pools of underwriters with which you are no doubt familiar. And it is the creation of these insurance pools with their unprecedented capacity of some $60 million which makes necessary the nuclear energy liability exclusion on all casualty policies.

The point is that in our business of pleasing people as citizens to the end that we may have a business climate in which we can live and prosper, casualty insurance plays an important part because efficient claim administration is what the people as citizens want.

In summary may we restate and re-emphasize that:

> What *you*, the thoughtful insurance buyer, should expect of *your* casualty claim administration is that the claim function be a constructive and integral part of *your* business which affirmatively contributes to all the relationships with *people* who are so essential to the life and success of *your* business.

PRODUCTS LIABILITY

Having looked at the claim function in general, let us look more closely at the ever increasingly important *products liability*, the *insurance thereof*, and what *we* as careful insurance buyers can do to minimize losses.

The almost unforeseeability of products liability arose in the case of Junior Fire Marshal hats which were given away — not sold — by a fire insurance company. As some of you know, these hats are used to bring home to school children the importance of fire prevention and literally millions of them have been distributed throughout America. Is there a products hazard here? Is products insurance even needed?

Of course there is a hazard. *Fire.*

Think how terrible it would be to all the five groups of people, a fire insurance company tries so hard to please if the Junior Fire Marshall hat which is used to highlight fire prevention were *itself inflammable* and the cause of serious fire injury and loss.

And yet this frightful products hazard — because the fact that these hats are given away reduces legal liability not at all — was not appreciated by this fire insurance company until rather late in the programming day but not too late when a really thoughtful man tried to burn a sample. The result was a small conflagration and only then everyone recollected the myriad of evening gown, blouse, dress and cowboy chaps cases involving plastic and artificial fabrics.

So this careful insured went to its suppliers and explained its plight and obtained this virtually non-inflammable plastic which you hold in your hand.

Was this enough? Was the products hazard eliminated and products insurance dropped? What do you think?

Well, one little child ate his little red hat. By this time, millions of these hats had been distributed. At this point, this particular fire insurance company thought it might need claim service in a big way.

Fortunately, the supplier of the hats assured the frantic parents that this plastic was not harmful to the digestive tract; although it couldn't be classified as a food.

The lesson learned is the hazards of products liability cannot be accurately foreseen and eternal vigilance — plus insurance — must be maintained.

In passing, inasmuch as some of you may be wondering about your own products insurance coverage for your own *give-away* advertising and good will pieces inasmuch as your products premium is based on *sales*, may I reassure you by saying that, in general, standard comprehensive products insurance covers them. The products liability for the child's toy in or with the corn flakes box is covered and so are independent items such as memo pads, calendars, etc.

LIABILITY

When it comes to accurately describing the legal theories of products liability, I am glad we are meeting here in the Harvard Business School and not across the Charles at the Law School.

Products Liability is a legal hodgepodge, a Serbonian bog, into which it is fruitless for us to enter.

It is sufficient for our purposes to know that:

1. It is now generally agreed that a *seller* or *supplier* of any *product* may be liable for harm to the *person* or *property* of a third person who may be expected to be in the vicinity of the product's probable use, if he has failed to use reasonable care to make the product safe for the use for which it is supplied.

2. In the case of sale of food and an ever increasing list of items, many jurisdictions impose strict liability upon various theories by which a "warranty" is found even in the absence of a direct contract between the parties.

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WEATHER FORECAST:

Violent Storms Moving In

You never know where, or when, a destructive windstorm will strike. It may come back year after year, like the tornadoes in Codell, Kansas. It may swoop down where least expected, like the recent hurricane in Houston, Texas. And it may hit *your* town!

If you own property—a home, a boat, a factory, goods in transit, or perhaps *all* of these—ask yourself whether you have the *right* insurance, and *enough* of it to protect you against losses due to windstorms.

Unless your answer is an unqualified "Yes", right now is the time to talk with your independent insurance agent or broker. Get his free advice, and ask him especially about Atlantic insurance for the fullest possible protection.

Business Established 1842

THE ATLANTIC COMPANIES

ATLANTIC MUTUAL INSURANCE COMPANY
CENTENNIAL INSURANCE COMPANY

P. O. Box 6, Wall Street Station · New York 5

Offices in 28 Cities from Coast to Coast

Multiple Line Companies Writing Marine, Fire and Casualty Insurance

Claim Facets — Schoen

(From page 32)

PRODUCT LIABILITY INSURANCE

Such is the legal liability; and insurance underwriters began filling the need in 1890 although products insurance, as we know it today, is of recent origin and is an outgrowth of the comprehensive policy. As insurance buyers, you know that products liability insurance covers liability from goods or products *manufactured, sold, handled or distributed* by the insured arising out of accidents occurring *away from the premises* of the insured and *after* the insured has relinquished possession of the products to others.

Further, *express* or *implied, written* or *oral* warranties are covered as an exception to the contractual liability exclusion on the theory that any *warranty* of goods is a products liability exposure and *not* a contractual liability risk. But one must be careful. Hold Harmless agreements are *not* warranties. A *warranty* is a statement of fact made to induce the sale of the product. It may be written on the label or contained in national advertising. It may be oral and it may be express or implied. But contracts collateral to a sale, such as hold harmless agreements, are *not* warranties and are covered only under contractual liability insurance.

WHAT CLAIMS ARE COVERED?

It is of some interest to note that products liability insurance, like other liability insurance, covers *accidents* which occur during the policy period irrespective of *when* the product was manufactured or sold and the products insurance premium collected thereon.

Some years ago a company made a calcium chloride anti-freeze solution — and when the anti-freeze proved highly corrosive to the cooling system of automobiles, its insurer terminated. A California Court ruled that although the policy was in force when the product was *sold*, no coverage arose for *accidents* arising *after* termination. In short, where a product is manufactured in 1958, sold in 1959 and a products premium is collected in 1959 but an accident arises in 1960, the insurance in force in 1960 applies. You may be interested to know, in view of our earlier reference to the need of insurance for financial stability, that after nine months this company went into bankruptcy as the result of these uninsured claims.

Products insurance covers not only *defective* products but also *non-defective* or *good* products sold for an improper use or under improper circumstances. For instance, a perfectly good gun sold to a minor in violation of law gives rise to a covered claim if the minor shoots a person and claim is brought against the seller.

Of course *mislabeling* of a *good* product is covered and this often gives rise to liability; as last year in Florida, the not inconsiderable sum of $160,000 was recovered for the death of a 38-year-old salesman due to improperly labeled cleaning fluid.

Mass merchandising and national advertising have created new and serious liabilities. Network broadcasting along with national newspaper and magazine advertising have raised tremendously the potential liability of the seller. His buyers are now infinite in number and stretch across the whole country — and do does his products liability.

The courts have been quick to point out that it would be manifestly unjust to permit sellers to create a demand for their products by representing that they posses qualities which they, in fact, do not posses and then deny the consumer the right to recover. Just recently, a home hair-do manufacturer was held liable to a remote consumer who relied upon their advertisements although the consumer

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Liability Insurance — Forest

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involving two or more liability policies issued by the company and affording insurance for such damages, all such damages caused by the same injurious conditions shall be deemed to occur only on the last day of the last exposure, and the applicable limit of liability contained in the policy in effect on the last day of such exposure shall be the applicable limit of liability."

Admittedly, that's quite a mouthful to swallow all at once, but let's go on and see what it all means.

The main distinctions between "accident" and "occurrence" are:

(1) An occurrence does not have to *take place* at any precise time but includes gradual damage over a period of time, perhaps years, whereas an accident takes place suddenly.

(2) An occurrence may not be *recognizable* until it has progressed for some time; but an accident with its "boom" concept is easily identifiable.

(3) An occurrence does not have to take place in any *particular spot;* its effects may be felt over a wide geographical area. On the other hand, an accident, even though it might be catastrophic in nature, is usually limited in effect to a particular locality.

(4) There may be an occurrence as a result of the *conscious acts* of the insured, whereas under an "accident" policy, there is no coverage for damage caused intentionally by the insured.

(5) Under the term "occurrence" there is direct coverage for damage to *intangible* property, but the intent of the word "accident" is to cover damage to *tangible* property only and its loss of use.

(6) Also, occurrence involves the area of business competence and management "know-how" which are generally not intended to be covered by a "caused by accident" policy.

(7) And finally, occurrence coverage could include areas of customer dissatisfaction with goods or services customarily handled as problems of customer relations rather than as matters for legal proceedings.

Now let's retrace our steps and consider in more detail these concepts as they apply to Occurrence PD coverage, illustrating them with examples of losses.

Putting coverage on an "occurrence" basis brings in the possibility of loss that may occur over a period of weeks, months or even years — the so-called "continuous or repeated exposure to conditions" in the insuring clause. In other words, it is the intent of this coverage to apply not only to fortuitous events, but *also* to gradual damage to property, not commonly thought of as being caused by accident.

A good example of an exposure of this type is the discharge of effluents from the chimney of an industrial plant. Over a long period of time, these effluents, depending on their nature, could gradually build up a large amount of property damage over a large area because of winds. Very likely, the individual claimants would not recognize any damage for some time until its cumulative effect became apparent. Conceivably, the effluents could blight trees and crops, cause animals to become sick or to die, cause lower production by dairy animals, loss of profits, etc. While the insured might have reason to believe these things *could* happen, he could probably honestly say that he did not know or *intend* that they would happen; hence the carrier has a serious Occurrence PD loss to settle.

If this situation has been going on for five years, is there one loss or one hundred; when did it or

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Liability Insurance — Forest

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they occur; and what limits of liability apply? The underwriting intent is that all claims arising out of this one condition, the continuous discharge of effluents, shall be construed to be one occurrence, and our suggested endorsement language quite clearly spells this out.

Because of the continuing nature of such losses, it is particularly important to establish just when the loss occurred and what limits are applicable, for they may have been different during the period of occurrence. Our suggested endorsement states that all damages caused by the same condition are presumed to occur only on the last day of the last exposure, thus pinpointing the date of the loss, and that the limit of liability of *that* policy is the applicable limit. It is *not* the intent that the limits of all the policies during the period of exposure be cumulative; only the limits of the policy covering the last date of exposure apply.

The loss just described illustrates several of the "occurrence" concepts. First, it is a loss which could have occurred over a period of weeks, months, or years, and we have just seen how the limit would have applied in the latter event. Second, this is a type of loss where the damage may not have become recognizable until it had a chance to build up its effect. And third, depending on the directions and distances these effluents were carried by the atmosphere, claims could develop literally from "miles around." And fourth, we have a situation where the insured *intended* to release the effluents into the atmosphere. It would be difficult to maintain that the resulting claims were truly "unexpected" but against this, the insured probably had no *intent* to damage anyone's property. The fact that the damage is not literally unexpected, however, is the gray area in the coverage status of a loss such as this.

In addition to the problem of effluents from industrial chimneys, other examples of long-term exposures likely to result in Occurrence PD losses would include dust conditions and vibrations from blasting at construction sites; disposal of dangerous waste materials into rivers and even at dumps; and subsidence — the gradual settling of buildings close to excavations. Unrecognizable at first, a loss develops eventually because of the cumulative effect of exposures, such as these. For example, the continuous discharge of waste materials into a river eventually pollutes a lake downstream, causing loss of use of private beaches and a marked reduction in property values of those abutting the lake.

A loss such as this actually involves damage to *intangible* property — a reduction of property value. There was no direct physical damage to the claimant's property, but his rights to enjoyment of his property have been greatly impaired, and he now finds that his property does not command the price he paid for it. Even without physical damage, his loss is nevertheless real.

With the "caused by accident" language of the standard policy, underwriters intended to cover only physical damage to *tangible* property and loss of use resulting from it. It was not considered necessary also to incorporate an exclusion of intangible property. When the word "accident" is deleted and "occurrence" substituted, the door is opened to claims for damage to intangible property. Such claims could include damages for trespass, restriction of access to another's property, loss of good will, business interruption, patent and copyright infringement, etc. The hazards of such coverages are extremely difficult, if not impossible to measure in advance, and the pricing is pure guesswork. It is an area where we leave ourselves open to claims on many types of unknown exposures, several of which we would probably refuse to cover if we knew of them in advance.

Another area of damage to intangible property which is cov-

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Claim Facets — Schoen

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bought the product from a retailer.

What can you do about it? You can make sure that *all* your company's advertising and merchandising programs are reviewed not only by your law department but also by your insurance department and any questions resolved in consultation with your casualty insurance company. Usually, minor amendment of an advertising program will keep product liability to a minimum or at least not needlessly increase it.

EXCLUSIONS

Now, along with the usual liability insurance exclusions, products liability insurance excludes liability for damage *to* any goods, products or containers thereof manufactured, sold, handled or distributed by the insured out of which the accident arises. In short, no coverage is intended to cover the obligation of the insured to repair or replace his own defective work or faulty products.

As far as the writer knows, the cost of repairing or replacing the insured's own defective product is uninsurable. It is not within the province of a casualty insurer to buy back the insured's own faulty production or defective products. To do so would place a premium upon the manufacture and distribution of defective products and to allow an insured to recover the cost thereof from his casualty insurance company would let him profit from his own wrong.

COST OF PRODUCT RECOVERY

An insured, especially a pharmaceutical house, which can trace its product by control number, may feel called upon to protect its good name, or be directed by Pure Food and Drug authorities, to spend substantial sums *to recapture* the contaminated product from the market place so that further injuries do not arise.

The insured's cost of recapture is not covered by *standard* product liability insurance but is deemed insurable by many companies upon special request.

THREE LIMITS

It goes without saying that products liability insurance should be placed with the *same* insurance company which writes the general liability cover to avoid troublesome questions of allocation of loss — especially in the field of completed operation.

But products insurance differs from most other lines of insurance because it contains three limits:

1. A limit *per person;*
2. A limit *per accident* plus a "batch" clause which provides that all damages arising out of one prepared lot of goods or products shall be considered as arising out of *one accident;* and
3. An *aggregate* limit of liability during the policy period. This is intended, of course, to protect the underwriters from an infinite series of accidents.

From the careful insured's point of view, the better approach is usually to buy high limits with the per accident and aggregate limit the same and thus avoid troublesome questions of what is one "batch" or one prepared lot.

So much for products liability and the underwriter's answer to the shifting caveat from emptor to venditor. It is now "Let the seller beware." May I submit to you that in this era of automation, synthetics and nuclear energy, products liability is an ever-increasing hazard to American industry and let us not forget that some of the largest casualty losses have arisen in the products liability field and in the property damage field at that. Bodily injuries make claimants cry out but no one heard millions of oysters die on the Gulf Coast some years ago as the result of oil contamination of oyster beds.

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Conclusions

Such is the liability of the seller or suppliers of products and such is the response of insurance underwriters to the shifting caveat from "Let the buyer beware" to "Let the seller beware."

What are you going to do about it?

You, as thoughtful insurance buyers, are going to appreciate that a claim department—and we mean an insurance company's claim department — is your partner in whom you will place your confidence and put your trust. You will review your advertising and sales programs, co-ordinate and improve your inspection and quality control departments and bring home to *all* of your associates that the real business of businessmen is *pleasing people* and you do that by preventing accidents and quickly and efficiently handling claims when and where accidents arise.

Connecticut Valley Chapter Hears Insurance Commissioner of Connecticut

Alfred N. Premo, Insurance Commissioner, State of Connecticut, was the speaker at the Connecticut Valley Chapter's October meeting.

Mr. Premo discussed Boiler and Machinery Breakdown Rating and Factors and Coverages, a subject on which he is well qualified.

Before his appointment to office with the State of Connecticut, Commissioner Premo was associated with the Hartford Steam Boiler Inspection and Insurance Company for 36 years as a Special Agent and is presently on temporary leave of absence for public service.

In addition to his State duties, Mr. Premo is also the Insurance Advisor for the City of Hartford and has served in this capacity for over 17 years.

Liability Insurance — Forest

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ered when the policy is on an "occurrence" basis is that of "sistership" liability, where the insured might be held liable for voluntary expenses incurred by a third party to prevent possible damages. For instance, if a vital part in the engine of a commercial airliner were found to be defective, the airline company, rather than risk lives and damage to property, would ground all similar planes until it could check all the like parts. Naturally, a considerable amount of revenue would be lost, and it is possible that the insured manufacturer of this defective part could be held liable for the financial loss of the airline. Because of the catastrophic possibilities of this the feeling of many in the industry that precautionary costs should not be paid, most underwriters are leery of "sistership" liability.

A still further troublesome area which an insurer enters when he writes property damage on an "occurrence" basis is that commonly referred to as the "business risk". These hazards for the most part are not covered by a "caused by accident" policy but generally are included in the scope of one written on an "occurrence" basis. The area of the business risk embraces losses occasioned by the business decisions of the insured, including his managerial competence, business "know-how" and in certain cases his integrity. It is these types of risks that cause the underwriter a great deal of concern about affording why this coverage is not generally offered or written. The feeling is that lack of managerial know-how and general business incompetence are risks that are uninsurable; they are not proper subjects of insurance, but rather are part of the so-called entrepreneur's risk, the cost of doing business in a competitive society, and as such should be borne by the insured.

Here is an example of a "business risk" type of loss. Suppose that a manufacturer develops a product intended to kill bugs but makes an error in designing the formula. The product fails to kill the bugs and also blights crops, resulting in a substantial loss to several farmers. It is our feeling that lack of managerial competence in the design of this formula is not an insurable risk and should not be covered, but it is difficult to maintain that such a loss is not covered if we are providing Occurrence PD. On the other hand, if the formula were correct, but an employee made a mistake in mixing the ingredients and there was ensuing damage, we feel that this is insurable as an accident. The point here is that the basic abilities and competence or lack thereof are not insurable hazards, hence, the underwriters' reluctance to write a coverage that could expose him to such hazards.

Not only does the "business risk" involve the managerial competence of the insured, but also his integrity. If an insured's quality control technicians advise him that a particular batch of product is not up to specifications, most insureds would not attempt to market it, at least without reprocessing. But occasionally there might be a manufacturer who would be willing to take a chance on the batch. Rather than run it through an expensive reprocessing, or heaven forbid, scrap it, he is willing to market the substandard product and rely on his insurance policy to defend any claims, having at least subjective knowledge that claims will probably result over a period of time from gradual damage. This is a clear "business risk" involving the manufacturer's integrity, and the insurer would be hard-pressed to show that the lot was released with the knowledge that damage would ensue. Again, Occurrence PD would pick up the tab for a loss that ethically should be borne by industry.

The insurance industry has traditionally been far more willing to provide occurrence coverage for bodily injury claims than for property damage claims. Part of this stems from the fact that manufacturers and sellers are much more apt to exercise a higher degree of care when their products are intended for human consumption. Further, there are probably fewer causes that result in gradual bodily injury claims—bodily injury being more apt to be recognized or diagnosed fairly quickly.

With property damage it is a different story. When possible damage to goods, as opposed to persons, is involved, the insured is not so

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Liability Insurance — Forest

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likely to exercise as high a degree of care as he is with respect to persons, especially if the risk of loss is of a gradual nature. With only gradual risk of loss, it might be years before any claim developed, and then there would not be the aroused public feeling the insured might encounter if he caused a "boom" type accident. With a somewhat lower standard of care by insureds as to gradual exposure risks, the underwriter must raise his standards of selection, for he is in an extremely dangerous area.

Insurers also feel that Occurrence PD presents a much more serious catastrophe potential than does the bodily injury exposure. The various conditions that can cause gradual damage over a period of time, such as effluents and waste disposal, can, because of their inherent nature, build up tremendous damages before they finally manifest themselves in known loss.

Despite the fact that his property damage coverage on an occurrence basis presents many problems and undesirable situations to underwriters, we must recognize the demands of you insurance buyers and be prepared to answer them or meet them. As time goes on the coverage will be written on a much broader basis subject however to refinements in terminology and exclusions that will make it more palatable to the underwriter and at the same time acceptable to buyers.

One thing that must be recognized is that the increased losses to insurers resulting from this broader terminology will be reflected in higher premium costs and therefore you the buyer will have the final responsibility of resolving at what point the line will be drawn between properly insurable hazards and hazards which are inherent costs of doing business and therefore should be treated as operating costs.

The development of this coverage will continue as in the past to be on an individual risk coverage

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and pricing basis, but the coverages available will become more standardizing.

Aspects of Legal Liability

The second specific topic I wish to talk about to you today concerns an aspect of legal liability which had received little attention until the past couple of years when it suddenly blossomed in the courts of California. I refer to actions by one employee against another employee (who is generally an executive or a supervisor of the common employer) for the alleged failure of the responsible employee to provide "a safe place to work" when this failure results in injury to the claimant.

In most of these actions, the claimant is generally clearly entitled to workmen's compensation benefits and may in fact be collecting them when the suit is initiated against the co-employee. In the past, however, not much thought was given to the possible right of action against a fellow employee for two reasons. First, the individual defendant probably had very little in the way of personal assets to make a suit worthwhile; and second, it was likely that he had no insurance protection for such liability.

An examination of the laws of the several states reveals that there are about eleven states, including California, in which an employee suffering an occupational injury may, by court precedents, maintain an action against a co-employee whose negligence contributed to the compensable injury. In addition to these states, there are about eighteen states where an action of this type would *probably* be permitted, although there is presently no statutory authority or legal precedent. So you can readily see that business firms, their supervisory employees and the insurance industry have a real problem facing them in numerous jurisdictions *if* the claimant can find a practical way to make a recovery from the negligent supervisory employee or executive. New let us explore the way in which this recovery is being sought and attained in actual practice.

Apart from any statute, the employer has at least a common law duty to provide a place of work reasonably safe for the purpose intended. In March, 1959, in the case of Petty v. Fisher, a California judge ruled that supervising employees can be held personally liable for accidents if they have the "right, duty and power" to make job conditions safe. The ruling applies to employees who fail to take action to correct an unsafe condition; it makes supervisory employees liable for damage if they fail to provide a safe place to work, providing the executive responsible has delegated the necessary responsibility and power to them.

Claimants' attorneys these days naturally recognize that practically all large business concerns and most of the smaller ones carry general liability insurance. They also are aware that the standard provisions of the Comprehensive General Liability policy define "insured" to include not only the named insured, but also "any executive officer, director or stockholder thereof while acting within the scope of his duties as such." In all likelihood, it is the insurance available to an executive officer under this provision of the policy which has prompted claimants' attorneys to file actions against officers of corporations for their liability for failure to provide a safe place to work. The initial success of a few of these actions in California creates a serious potential liability for officers and supervisory employees, and it is conceivable that an avalanche of claims could be touched off around the country, whether covered by insurance or not.

This is how such a claim develops. Let us assume that an employee is injured in the line of his duty because of some defective condition in the employer's premises. He requests workmen's compensation benefits so that some income will be currently available and at the same time institutes a suit against the vice president in charge of the plant for failure to correct the defective condition which had existed for over two months. The vice president notifies his employer of the suit and is instructed to pass the papers along to the company's insurer since he is an insured under the general liability policy. The vice president is relieved to learn this because he has already looked at his CPL policy and found that the Business Pursuits endorsement on it did not cover his liability to a co-employee.

The question may well be raised as to how the general liability insurer is involved at all on such a claim because of the workmen's compensation exclusion in all general liability policies. Here the the severability clause states that the term "insured" is used *severally* and not collectively. The obligation to insure liability under the workmen's compensation law belongs to the employer, not to any executive officer; hence the workmen's compensation exclusive in the general liability policy logically can refer only to the employer. The executive officer *has coverage* for a compensable injury to a fellow employee because he is a *separate insured* under the general liability policy, and the workmen's compensation exclusion does not apply to him since he is not the employer and has no obligation to carry workmen's compensation insurance.

Thus, through the recent activity of the California courts, the framework has been established for recovery for W. C. type accidents on the employer's general liability insurance if the claimant can show an executive officer was negligent in failing to provide a safe place to work. Who can say that this principle will not be extended to include a personnel executive's failure to provide reasonably competent fellow-servants?

On the horizon then, it appears that a whole new avenue for claims is open for exploration in the courts of numerous states. On the assumption that liability will be found to exist, as in California, this situation can only result in more

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Liability Insurance — Forest

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claims being paid and higher premiums being charged to business and industry unless something is done to reverse the trend.

In California the legislature has already passed a bill, which becomes law this month which should effectively eliminate most of the actions of the type we have been talking about. There, up until now the W. C. Law has been the exclusive remedy as against the employer, while third party actions have been permitted against co-employees. The new law makes the W. C. Act the exclusive remedy against the employer *and any other employee of the emplayer* acting within the scope of his employment. A third party action against the co-employee is still permitted in certain extreme situations, such as where the injury is caused by:

(1) the willful agressive act of the other employee;

(2) the intoxication of the other employee; and

(3) an act which shows reckless disregard for the safety of the injured employee, and a conscious willingness to permit injury.

In these situations the guilty employee probably should incur liability and where there was intent to injure, should not have the benefit of any insurance.

Despite this favorable law revision in California the broad problem still remains, since similar actions against supervisory employees for failure to provide a safe place to work can be brought in other states. We might say that as respects the country as a whole, actions of this type are still in the "frontier" stage. With insurance companies known to be "fair game" in the minds of too many people, we can probably expect many of them to be reaching for that "reservoir" through the device I have described. How much of this there will be, and what the legislatures will do, if anything, only time will tell. At this point, just one thing is certain; it is an area of liability insurance that will be watched very closely not only by corporate insurance managers and the insurance industry, but also by labor unions and NACCA.

There is one aspect of this problem that we have not yet touched upon, and that is the fate of the supervisory employee (distinguished from the executive officer) who is held liable for failure to provide a safe place to work. Unlike the

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Governor Meyner Is Speaker at Insurance Conference Sponsored by Delaware Valley Chapter

On October 15th, Delaware Valley Chapter of the American Society of Insurance Management, Inc., held an Insurance Conference which was very well received.

The slogan was "CONFIDENCE THROUGH CONFERENCE."

Welcomed by the Honorable Richardson Dilworth, Mayor of the City of Philadelphia, the featured speaker at the luncheon meeting was the Honorable Robert H. Meyner, The Governor of the State of New Jersey, who addressed the members on "Insurance Regulation in the United States."

Among those who participated in the program were: John P. McCormick, Vice President and Assistant U. S. Manager, Royal-Globe Insurance Group; H. S. Stanley, Assistant Manager, Factory Insurance Association; Harold J. Ginsburgh, Senior Vice President, American Mutual Liability Insurance Company; William N. Seery, Vice President, Travelers Insurance Company; Richard W. Baker, Vice President, Ostheimer & Co.; Paul F. Hood, Consultant, Towers, Perrin, Forster and Crosby, Inc.; and Messrs. John Alessandroni, Alexander F. Barbieri, and David L. Ullman, distinguished attorneys.

Cooperating with Delaware Valley Chapter, ASIM, were Temple University, the University of Pennsylvania, and Philadelphia and South Jersey Chapters of the Society of Chartered Property and Casualty Underwriters.

Risk Administration — Austin

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limits retained by the American market and the amount transported across the Atlantic.

In the case of physical damage, it could refer to the deductible assumed by the insured and the coverage carried in excess of that deductible. It could refer to the retention assumed under a true catastrophe cover and the excess of loss cover arranged over that assumption.

I believe that we should approach it on the basis of each insured's ability to assume loss and each insured's ability to predict loss.

Each corporation should have statistical data from which reasonable inferences concerning future loss probabilities may be drawn. Each corporation should also know the maximum annual loss cost it can assume without seriously affecting its financial structure or the validity of the fundamental factors in its cost accounting processes.

From these facts, the risk manager can approach the problem of determining the magnitude of the losses the company can assume, and the point at which losses must be transferred. I say must be transferred, rather than should be transferred because the line between assumption of risk and transfer to an insurance company does not always coincide, in practice, with the line drawn in theory. The line drawn in theory is a maximum point beyond which transfer of risk is imperative. In practice, however, it may be economical to draw the line at a lower point. A corporation may, for example, determine that it must insure losses beyond $50,000. Its choice between $50,000 deductible, $25,000 deductible, $10,000 deductible or full primary insurance will depend upon the relative costs of the various types of protection.

Up to the present time excess compensation and liability insurance has been predominantly the field of Lloyds of London and certain alien companies. There has been appreciable growth in the

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Deductible Insurance — Cristy

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management. I believe they have a much more significant application than just the elimination of small loss adjustments. But since the premium discount comes mainly from the loss portion of the premium, the possible saving does not always justify taking as high a deductible as you could stand. You get proportionately less discount for higher deductibles. As a result every deductible we have at Upjohn is considerably less than the amount of risk the company is prepared to retain. So far as I know, there is no formula to tell us how much deductible to buy in a given situation. The largest amount you should consider can be determined by your own corporation's ability to absorb uninsured losses. But since the discounts offered for varying levels of deductibles do not always seem to be actuarial equivalents, your choice of deductible will be based on judgment.

Henry Theobald states in the January, 1959 *Spectator*, "It should be pointed out that deductible insurance is self-insurance — to the extent of the deductible. The buyer assumes the position of the underwriter when he decides on the amount of the deductible. So this decision should be made only after carefully considering the premium savings, the distribution, and amount of risk."[8]

In the paper referred to earlier Mr. Ambrose Kelly said that despite growing pressure for deductible coverage "the people who are against it are giving ground very grudgingly." Deductibles will ultimately be forced on the reluctant insurers. We can hasten this, if we want deductibles, by asking for them, insisting on them, and buying them. When they are generally available it will be much easier for risk managers to do an adequate job for their employers.

[8] *How Risk Managers Can Apply Deductibles*, Henry E. Theobald, *The Spectator*, January, 1959.

Insurance Courses Offered in Atlanta

The Insurance Library Association of Atlanta again offers three courses: Principles of Insurance, Fire and Marine Insurance, and Casualty Insurance during the fall semester which began September 28, 29, and 30. These courses are designed to prepare the student for the national professional examinations offered by the Insurance Institute of America.

Classes are held in the Association's new classroom and office in the Rhodes Building, 78 Marietta Street, N. W. Each class meets one night per week from 4:30 to 6:30 p.m. All necessary materials are loaned to students by the association. Interested persons may visit the office of the Association or call MUrray 8-1740.

Liability Insurance — Forest

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executive officer, the foreman is not an insured under general liability policies, and his personal liability policy was not designed to cover this type of an exposure. Who is to protect him, and in what manner? Is it fair for an employer to place him in a vulnerable position with no protection? Is it smart to provide these employees with coverage thereby inviting claims that in most instances would not be brought because of the lack of assets on the part of the employee? Should we in the insurance industry attempt to devise a solution to his coverage problem? If so, will the employer be willing to pay for it?

These are all questions that remain to be answered. The unprotected foreman does not yet present a social problem, but I wonder how many of them would think twice about accepting such a job if they were aware of the status of their liability and lack of protection. Depending on the frequency of actions against them in the future and whether or not the legislatures act to protect them, as in California, it may or may not be incumbent on the insurance industry to meet a future demand for coverage by including supervisory employees in standard provisions policies as insureds. Again, time will tell.

Summary

In summary then, what we have tried to do is point out some of the areas of liability insurance that are in "frontier" or development stage at the present time, giving particular emphasis to the problems of Occurrence PD and the expanding liability in connection with the provision of a safe place to work. Without doubt there are many other areas that we have not touched on today, but on which much could be said. In this short time we could only scratch the surface of this intricate business which exists to provide you with insurance protection and service.

As the requirements of industry lead us down new paths towards new frontiers, I for one am confident that the insurance industry will continue to demonstrate, as it has in the past, its capacity, its flexibility and resourcefulness in providing protection for all the legitimate demands for coverage both from the public at large and the business concerns represented by you insurance buyers.

First Regional Meeting is Held By ASIM

Region Number Four Meets in Cleveland

The first regional meeting of the American Society of Insurance Management, Inc. was held at the Hotel Hopkins, Cleveland, Ohio, on October 6, 1959.

The meeting which was called by Charles H. Thiele, Insurance Manager for Federated Department Stores (Cincinnati) and Regional Vice President of Region No. Four, which includes the states of Illinois, Indiana, Michigan, and Ohio, was designed to develop a closer liaison between the various chapters, the exchange of chapter activities and future programming for other Regional Conferences and educational seminars.

Arrangements for the meeting were made by Miss Julia Sullivan, Insurance Manager for the General Tire and Rubber Company of Akron, and Secretary of the Cleveland Chapter, ASIM.

The agenda included a discussion of methods of increasing chapter memberships. Mr. Blaine Wiltse of Automatic Electric Company, Northlake, Illinois, who is Membership Chairman of Chicago Chapter, ASIM, presented a paper in which he outlined the membership drive now in progress at Chicago Chapter.

Other business included programs for Regional Meetings and Seminars. Plans for the next meeting of Regional #4 will be announced after the Annual Meeting of ASIM in Chicago on November 2nd.

Attendance at Meeting

Those who attended the first Regional Meeting were:

Frank O'Shaugnessy, Container Corporation of America (Chicago Chapter); **Clayton R. James,** Addressograph-Multigraph Corporation (Cleveland Chapter); **A. J. Haberer,** The Procter & Gamble Company (Cincinnati Chapter); **George L. McCready,** Cleveland Pneumatic Industries (Cleveland Chapter); **Ewald R. Zimmerman,** American Bakeries Company (Chicago Chapter); **Paul Kipp,** United States Gypsum Company (Chicago Chapter); **Blaine Wiltse,** Automatic Electric Company (Chicago Chapter); **Paul W. Willberg,** The Goodyear Tire & Rubber Company (Cleveland Chapter); **Wesley A. Johnston,** The Chrysler Corporation (Detroit Chapter); **Miss Julia Sullivan,** The General Tire & Rubber Company (Cleveland Chapter); **John M. Ulrich,** Jaeger Machine Company (Central Ohio Chapter); **Edward W. Alstaetter,** North American Aviation (Central Ohio Chapter); **Sam Garwood,** Columbus & Southern Ohio Electric Company (Central Ohio Chapter); **Charles H. Thiele,** Federated Department Stores (Cincinnati Chapter); and **Peter A. Burke,** Managing Director of The American Society of Insurance Management, Inc.

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American market during the recent past. This, coupled with some belt-tightening by the alien market, operate to encourage further consideration of the American market.

If competitive quotations are to be obtained, it might be advisable to determine from the American companies the maximum amount they can offer without arranging alien reinsurance, and ask that they limit their quotations to that amount. Otherwise, because of the rather limited foreign market, the alien underwriters may become confused by requests for entirely different excess covers from two different sources for the same insured.

A phrase used by the Lloyd's market which confuses some is the statement, *"With a firm order we believe a lower premium can be arranged."* This is not a sales "come on," but a natural result of the uniqueness of Lloyd's. While a large number of syndicates may ultimately participate in a particular writing, it is economically impossible for every request for a quote to be submitted to all of them. Instead, the Lloyd's broker will submit the proposal to certain "lead" underwriters, who usually set the pattern for the particular type of coverage requested. These lead underwriters quote a rate which they are reasonably certain will induce the participation of enough followers to complete the required coverage. When an order is obtained, the lead underwriter may be able to induce 100% participation at a rate lower than that specified for "first quote" purposes.

Umbrella Coverage

This is a multi-deductible excess liability contract. The deductibles include the amounts of coverage provided under any primary liability policies and a separate amount (usually $25,000 or $50,000) as respects losses not covered by underlying insurance. The premium charged depends upon the type and amount of underlying insurance carried. If an insured is carrying high limits of liability coverage before he obtains an umbrella quotation, it may be economical to consider a different dividing point in the future. If, for example, automobile liability limits of $250,000 per person, $500,000 per accident are maintained, and umbrella coverage to $2,000,000 is desired, it may be advantageous to request umbrella quotes based on present underlying auto limits and underlying limits of $50,000 per person and per accident and $100,000 per person and per accident. At the same time quotes for these lower limits should be obtained from the underlying insurer. This does involve extra work, and may not incur the "underlying friendship" of the underlying underwriter. It will, however, assure the most economical placement of this middle area of protection.

ASIM Welcomes New Members

Chicago
Clark Equipment Co.

Cleveland
Harris-Intertype Corp.
The Timken Roller Bearing Co.

Dallas-Ft. Worth
Delta Drilling Company

Delaware Valley
Paterson Parchment Paper Co.
Sandura Company

Houston
Brown Oil Tools, Inc.
H. E. Butt Grocery Co.
Collins Construction Co.
Duncan Coffee Co.
Houston Oil Field Material Co., Inc.
Hughes Tool Co.
Reed Roller Bit Co.
San Jacinto Petroleum Corp.

New York
American Radiator & Standard Sanitary Corp.

William A. Sullivan, Insurance Commissioner, Addresses Washington Chapter, ASIM

At a meeting held at the Washington Athletic Club, Seattle, on October 13th, William A. Sullivan, State Insurance Commissioner addressed members of Washington Chapter, ASIM, and their guests.

Mr. Sullivan spoke on Insurance and Its Supervision Under State Laws As It Affects the Public Interest, and Mr. Sullivan's attendance as guest speaker indicates official recognition of Washington Chapter, ASIM, by the Washington State Insurance Department.

Mr. Sullivan was accompanied by Rate Supervisor W. D. Yerkes.

Norris C. Flanagin Addresses Fourth Annual Insurance Buyers Conference, ASIM

Norris C. Flanagin, president of Lumbermens Mutual Casualty Company and American Motorists Insurance Company, two divisions of the Kemper Insurance group, addressed the banquet of the Fourth Annual Insurance Buyers Conference, sponsored by Southern California Chapter, ASIM on October 14th.

Mr. Flanagin said, "the threat of state and federal government in the insurance business is not just a vague one. It is a development which already is here.

"And what assurance do you have that those who advocate the further encroachment of government in the insurance industry will limit themselves to our industry alone?" he asked.

He continued, "Having successfully invaded our industry, why would they not follow the course that those who favor socialism have pursued in other countries — the introduction of the state into such fields as transportation, mining, oil, medicine and other activities?"

He referred to the threat of state as well as federal intervention.

"We in the casualty field know full well the serious competition we encounter from state funds writing workmen's compensation and accident and health insurance.

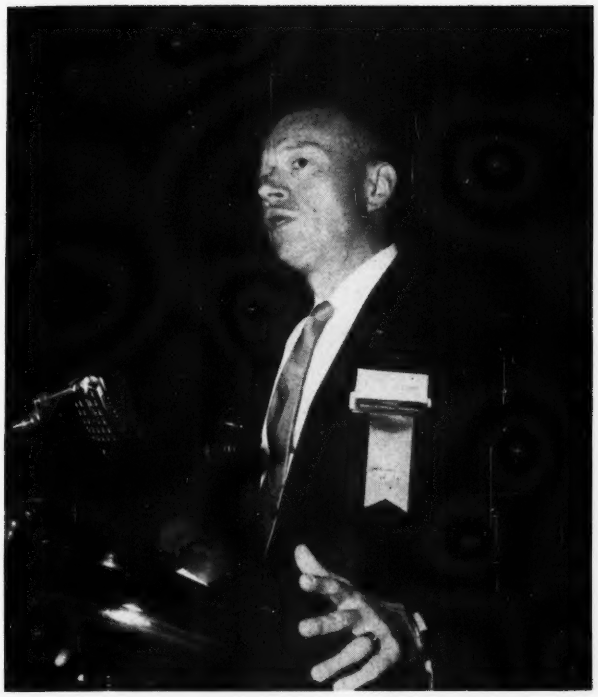
"Here in California we have witnessed the broadening of benefits under the unemployment compensation disability law to a point where some private companies are forced to retire from much of their business and others are withdrawing completely from this field."

Mr. Flanagin is vice president of American Manufacturers Mutual Insurance Company, senior vice president of Federal Mutual Insurance Company and a director of Fidelity Life Association — the three other Kemper group divisions.

Born in Chicago, he received his Ph.B. in 1924 from the University of Chicago. He spent ten years in the advertising field as an account executive with Doremus & Company and Matthew G. Pierce, advertising agencies, and as western manager of "Theatre" magazine.

Mr. Flanagin joined the Kemper organization in 1934 as manager of the companies' advertising department and, two years later, was appointed manager of the business extension department.

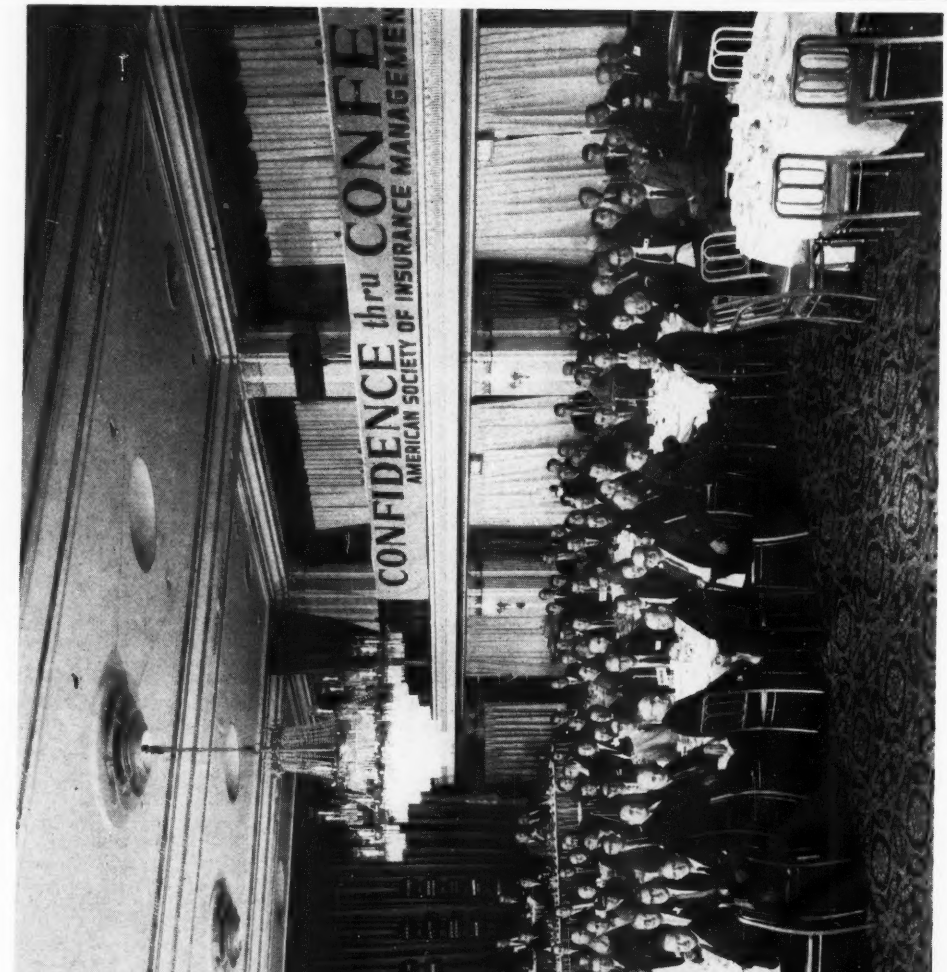
In 1945, shortly after his return from World War II service as a navy air combat intelligence officer in the Caribbean and Pacific, he was elected a vice president. Ten years later, he became executive vice president. In May 1958 he was promoted to the presidency.



Melville M. Zemek, District Manager of Manufacturers Mutual Fire Insurance Company (Houston Office) is guest speaker at Annual Dinner Meeting.

E. R. Zimmerman, president of Chicago Chapter, ASIM welcomes guests and members at Annual Dinner Meeting.

Houston Chapter, ASIM Presents Out-going President, Stan Goodwin with a real Texas hat. Standing: l to r: William Holcomb of Transcontinental Gas Pipe Line Corporation, president of Houston Chapter; Frank G. Cox of Schlumberger Well Surveying Corporation; Ed Stokely of Dow Chemical Company, presenting hat to H. Stanley Goodwin of McKesson & Robbins, Inc. (N.Y.). Obliterated but not forgotten: Fred L. Hillis of Anderson, Clayton & Company. Seated: l to r Merritt C. Schwenk, Jr., of Fruehauf Trailer Company, and secretary of ASIM, Melville M. Zemek, guest speaker.



Annual Dinner Meeting of ASIM — Chicago, November 2, 1959

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Vice-Pres.—Kenneth Black, Jr., Georgia State College of Business Administration, Division of Insurance, Atlanta
Secy-Treas.—W. Ray Walker
Citizens & Southern National Bank
P. O. Box 4899
Atlanta 2, Georgia

CENTRAL ILLINOIS CHAPTER
Meetings—2nd Thursday each month, Bloomington, Illinois. Dinner 6:30 P.M.
President—H. G. Eckhoff, Keystone Steel & Wire Company, Peoria.
Vice-Pres.—C. W. Keck, Illinois Power Company, Decatur.
Secy.-Treas.—Lewis E. Whisnant
Mississippi Valley Structural Steel Co.
2060 East Eldorado
Decatur, Illinois.

CENTRAL MASSACHUSETTS CHAPTER
Meetings—(Check with Secretary)
President—Henry C. Merriam, Vellumoid Company, Worcester, Mass.
Vice-Pres.—Harold F. Keyes, Jr., Brown & Sharpe Manufacturing Company, Providence. R. I.
Treasurer—Lawrence T. Kane, Riley Stoker Corp. Worcester, Mass.
Secretary—Robert Linden, Wyman-Gordon Company
105 Madison Street
Worcester 1, Mass.

CENTRAL OHIO CHAPTER
Meetings—3rd Wednesday of each month, except July and August. 6:30 P.M. dinner.
President—E. W. Alstaetter, North American Aviation, Inc. Columbus Division, Columbus, Ohio.
Vice-Pres.—Sam Garwood, The Columbus & Southern Ohio Electric Co., Columbus
Treasurer—E. I. Evans, E. I. Evans & Company, Columbus
Secretary—C. B. Rogers
The Peoples Broadcasting Corporation
246 North High Street
Columbus 15, Ohio

CHICAGO CHAPTER
Meetings—3rd Thursday of each month, September through May. Dinner 6:00 P.M.
President—E. R. Zimmerman, American Bakeries Company, Chicago
Vice-Pres.—Frank A. O'Shaughnessy, Container Corporation of America, Chicago
Treasurer—Geoffrey J. Burns, Continental Illinois National Bank and Trust Company, Chicago
Secretary—Miss Ann Auerbach
Goldblatt Brothers, Inc.
333 South State Street
Chicago, Illinois

CINCINNATI AREA INSURANCE MANAGERS
Meetings—1st Wednesday each month except July and August. Luncheon 12 noon.
President—Henry A. Newman, The Andrew Jergens Company, Cincinnati.
Vice-Pres.—R. F. Hoeweler, Acme-Newport Steel Company, Newport, Kentucky.
Treasurer—Hilliard J. Fjord, The Western & Southern Life Insurance Company, Cincinnati.
Asst. Treas.—Thomas Fisher, The Fifth Third Union Trust Co., Cincinnati.
Secretary—Robert J. Schiffgen
Trailmobile Inc.
31st & Robertson Avenues
Cincinnati 9, Ohio.

CLEVELAND CHAPTER
Meetings—2nd Monday each month except July and August. Dinner
President—Paul MacDonald, Carling Brewing Company, Cleveland.
Vice-Pres.—Paul W. Willberg, The Goodyear Tire & Rubber Company, Akron.
Treasurer—Clayton R. James, Addressograph-Multigraph Corp., Cleveland.
Secretary—Miss Julia Sullivan
The General Tire & Rubber Company
Akron, Ohio.

CONNECTICUT VALLEY CHAPTER
Meetings—2nd Thursday of each month. Luncheon
President—Darrell Ames, Eastern States Farmers' Exchange, Inc., West Springfield, Mass.
Vice-Pres.—Hervey Chevrette, Scovill Manufacturing Company, Waterbury, Conn.
Treasurer—David L. Benson, Whitney Chain Company, Hartford, Conn.
Secretary—Annetta Merlino
City of Hartford
Hartford, Conn.

DALLAS-FORT WORTH AREA CHAPTER
Meetings—3rd Thursday, each month. Luncheon 12:00 Noon
President—D. H. Mackaman, Campbell, Taggart Associated Bakeries, Inc., Dallas
Vice-Pres.—Raymond C. Harrison, American Petrofina, Inc., Dallas
Treasurer—Murray Saunders, Gifford-Hill & Company, Dallas
Secretary—Miss Annetta M. Johnson
The Murray Company of Texas, Inc.
330 Canton Street
Dallas, Texas

DELAWARE VALLEY CHAPTER
Meetings—3rd Monday each month. Dinner 6:30 P.M.
President—Charles R. Garton, Atlantic City Electric Company, Atlantic City, N. J.
Vice-Pres.—David D. Day, American Viscose Corporation, Philadelphia, Pa.
Treasurer—Chester H. Drummond, Campbell Soup Company, Camden, N. J.
Asst. Treas.—J. Joseph Bonanomi, The Budd Company, Philadelphia
Asst. Secy.—John Carr, Penn Fruit Company, Philadelphia, Pa.
Secretary—Milton H. Shaw
Kaiser Metal Products, Inc.
Bristol, Pa.

INSURANCE BUYERS ASSOCIATION OF DETROIT
Meetings—3rd Wednesday each month. Dinner 6:00 P.M.
President—E. Dean Damon, Parke Davis Company, Detroit
Vice-Pres.—N. H. Siegel, Detroit Steel Corporation, Detroit
Treasurer—P. Russell Cole, Ex-Cell-O Corporation, Detroit
Secretary—Robert E. Drewer
S. S. Kresge Company
2727 Second Avenue
Detroit 32, Michigan

CHAPTER DIRECTORY

AMERICAN SOCIETY OF INSURANCE MANAGEMENT, INC

HOUSTON SOCIETY OF INSURANCE MANAGEMENT
Meetings—2nd Wednesday each month. Luncheon 11:30
President—W. A. Holcomb, Jr., Transcontinental Gas Pipeline Corporation, Houston
Vice-Pres.—R. C. Lee, Sheffield Division, Armco Steel Corporation, Houston
Treasurer—William D. Suhr, Bank of the Southwest National Association, Houston
Secretary—Darold Black
J. Weingarten, Inc.
P. O. Box 1698
Houston, Texas

MARYLAND CHAPTER
Meetings—3rd Thursday each month. Dinner 6:30 P.M. Sept.-June
President—R. E. Beninghove, Maryland Shipbuilding & Drydock Company, Baltimore
Vice-Pres.—Edward M. Walton, Harry T. Campbell Sons Corporation, Towson
Secy.-Treas.—Richard Sleeper
Insurance Buyers' Council
6803 York Road
Baltimore 12, Maryland

MINNESOTA CHAPTER
Meetings—Third Tuesday of each month—September through May. Dinner 6:30 P.M.
President—L. E. Thompson, Green Giant Company, Le Sueur, Minn.
Vice-Pres.—Allan D. Brosius, Minneapolis-Honeywell Regulator Co., Minneapolis, Minn.
Secy.-Treas.—M. Scott Rhodes
Owatonna Canning Company
Owatonna, Minnesota.

MONTREAL INSURANCE BUYERS ASSOCIATION
Meetings—3rd Thursday October through May. Luncheon, 12 Noon.
President—J. G. Harper, Northern Electric Company, Limited, Montreal.
Vice-Pres.—H. H. Cowan, Steinberg's Limited, Montreal.
Secy.-Treas.—Glen Buchanan
The Shawinigan Water & Power Company
600 Dorchester St. West
Montreal, Canada

NEW YORK CHAPTER
Meetings—4th Thursday, each month, except July and August. Luncheon 12:30 P.M.
President—Robert B. Schellerup, Union Bag-Camp Paper Corporation, New York, N.Y.
1st Vice-Pres.—Donald W. Berry, The Borden Company, New York, N.Y.
2nd Vice-Pres.—James S. Southwick, Ethyl Corporation, New York, N.Y.
Treasurer—Robert S. Gyory, Sylvania Electric Products, Inc., New York, N. Y.
Secretary—Raymond A. Severin,
American Metal Climax, Inc.
61 Broadway
New York 6, N.Y.

NORTHERN CALIFORNIA CHAPTER
Meetings—3rd Thursday of each month. Dinner 6:00 P.M.
President—H. Langdon Hilleary, Standard Oil Company of California, San Francisco
Vice-Pres.—Justin A. Crockwell, Pacific Gas and Electric Company, San Francisco
Treasurer—Lee J. Hidlebaugh, The Bank of California, N.A., San Francisco
Secretary—Frank W. Ahlert
The Western Pacific Railroad Co.
526 Mission Street
San Francisco, Calif.

OREGON CHAPTER
Meetings—1st Wednesday of each month. Dinner 6:00 P.M.
President—R. E. Marcy, The First National Bank of Oregon, Portland.
Vice-Pres.—Fred L. Mattson, Jr., West Coast Lumbermen's Association, Portland.
Secy.-Treas.—Ed Bolin,
Northwest Natural Gas Company
920 S. W. Sixth Avenue
Portland, Oregon.

INSURANCE BUYER'S ASSOCIATION OF PITTSBURGH
Meetings—Alternate Tuesdays, September through May.
President—Ralph W. Low, Westinghouse Electric Corporation, Pittsburgh.
1st Vice-Pres.—Gerard O. Griffin, Dravo Corporation, Pittsburgh.
2nd Vice-Pres.—S. J. Prentice, Jr., Gulf Oil Corporation, Pittsburgh.
Treasurer—Leo F. Kane, Equitable Gas Company, Pittsburgh.
Assistant Secretary—R. G. Morton, Blaw-Knox Company, Pittsburgh.
Secretary—Thomas G. Noel
The Rust Engineering Company
930 Fort Duquesne Boulevard
Pittsburgh, 22 Pa.

SOUTHERN CALIFORNIA CHAPTER
Meetings—3rd Wednesday of each month. Dinner 6:30 P.M.
President—Waldo W. Powers, Signal Oil and Gas Company, Los Angeles
Vice-Pres.—M. J. Bowman, American Potash & Chemical Corp., Los Angeles
Treasurer—Norman Horney, Consolidated Rock Products Co., Vernon
Secretary—Steve Culibrk
Citizens National Bank
457 South Spring Street
Los Angeles, Calif.

VIRGINIA-CAROLINA CHAPTER
Meetings—Please check with Secretary for place and date
President—George J. Morrisey, Reynolds Metals Company, Richmond, Va.
Vice-Pres.—Gaither T. Newnam, Smith-Douglas Co., Inc., Norfolk, Va.
Treasurer—John W. Fox, Duke Power Company, Charlotte, North Carolina
Secretary—James R. Thomas
Virginia Department of Highways
1221 East Broad Street
Richmond 19, Va.

WASHINGTON CHAPTER
Meetings—Second Tuesday each month. Dinner 6:30 P.M.
President—Harold Roslund, New England Fish Company, Inc., Seattle
Vice-Pres.—Don Rader, Pacific American Fisheries, Inc., Bellingham
Treasurer—Robert N. Knight, Seattle-First National Bank, Seattle
Secretary—E. B. Paris
Boeing Airplane Company
P.O. Box 3707
Seattle 24, Washington

WISCONSIN CHAPTER
Meetings—Last Thursday each month, except June, July, August.
President—Joseph R. Hilmer, S. C. Johnson & Son, Inc., Racine, Wisconsin.
Vice-Pres.—Karl F. Abendroth, Milwaukee & Suburban Transport Corporation, Milwaukee.
Treasurer—Joseph A. Hussa, The First Wisconsin National Bank, Milwaukee.
Secretary—Robert E. Krause
Briggs & Stratton Corp.
2711 North 13th Street
Milwaukee 1, Wisconsin.

Roster Of Member Companies

AMERICAN SOCIETY OF INSURANCE MANAGEMENT, INC.

ATLANTA

American Art Metals Company
Atlanta Newspapers, Inc.
Atlanta Transit System, Inc.
Citizens & Southern National Bank
The Coca-Cola Company
Curtis 1000 Inc.
Delta Air Lines, Inc.
Georgia Highway Express, Inc.
Georgia Power Company
H. W. Lay Company, Inc.
Lockheed Aircraft Corporation (Georgia Division)
McDonough Construction Company
Mead-Atlanta Paper Company
National Manufacture & Stores Corporation
Rich's Incorporated
Southern Airways Company
Southern Airways, Inc.
Southern Nitrogen Company, Inc.

CENTRAL ILLINOIS

Caterpillar Tractor Company
Central Illinois Light Company
Commercial National Bank of Peoria
Funk Brothers Seed Company
Honeggers' & Company, Inc.
Illinois Power Company
S. D. Jarvis Company
Keystone Steel & Wire Company
Laesch Dairy Company
LeTourneau-Westinghouse Company
Mississippi Valley Structural Steel Co.
Mueller Company
Princess Peggy, Inc.
J. L. Simmons Company, Inc.
A. E. Staley Manufacturing Co.
Steak & Shake

CENTRAL MASSACHUSETTS

Bay State Abrasive Products Co.
Betterley Associates
Brown & Sharpe Manufacturing Co.
Draper Corporation
Fitchburg Paper Company
Grinnell Corporation
Massachusetts Mutual Life Insurance Company *(Secretary's Office-Risk Management)*
Morgan Construction Co.
Norton Company
Riley Stoker Corp.
Simonds Saw & Steel Co.
State Mutual Life Assurance Company of America *(Property and Liability Insurance Branch)*
The Vellumoid Company
Worcester Telegram Publishing Co.
Wyman-Gordon Company

CENTRAL OHIO

Anchor Hocking Glass Corporation
Arthur I. Vorys
Clark Industries
Columbus & Southern Ohio Electric Co.
Columbus Coated Fabrics Corporation
The Cooper-Bessemer Corp.
E. I. Evans & Company
The Jaeger Machine Company
The Jeffrey Manufacturing Company
F. & R. Lazarus & Company
The Mead Corporation
North American Aviation, Inc. (Columbus Division)
Ormet Corporation
Ranco, Incorporated
The Peoples Broadcasting Corporation
The Weston Paper & Manufacturing Co.

CHICAGO

Aldens Inc.
American Bakeries Company
American Marietta Company
Automatic Electric Company
Baxter Laboratories, Inc.
Bell and Howell Company
Bowman Dairy Company
Brunswick-Balke-Collender Co.
Bureau of Safety
Butler Brothers
A. M. Castle & Company
Calumet & Hecla, Inc.
The Celotex Corporation
Central Fibre Products Company
Chemetron Corporation
City Products Corporation
Clark Equipment Co.
Collins Radio Company
Continental Ill. Nat'l Bank & Trust Co. of Chicago
Container Corporation of America
Consolidated Foods Corporation
Crane Company
Cuneo Press, Inc.
Curtiss Candy Co.
Helene Curtis Industries, Inc.
Encyclopedia Britannica, Inc.
R. R. Donnelley & Sons Co.
The Reuben H. Donnelley Corp.
Fairbanks, Morse & Company
Fansteel Metallurgical Corporation
Lloyd A. Fry Roofing Company
General American Transportation Company
General Dynamics Corporation (Liquid Carbonic Division)
General Finance Corporation
Goldblatt Bros., Inc.
Graver Tank & Manufacturing Co., Inc.
Edward Hines Lumber Company
Inland Steel Company
International Minerals & Chemical Corp.
Jewel Tea Co., Inc.
Joslyn Manufacturing & Supply Corporation
Kawneer Company
Link-Belt Company
Magnaflux Corporation
Marshall Field & Company
Masonite Corporation
Material Service Corporation
The Meyercord Co.
W. H. Miner, Inc.
Montgomery Ward & Company
Motorola, Inc.
National Standard Company
National Tea Co.
Natural Gas Pipeline of America
Northern Trust Company
Northwestern University
Pabst Brewing Company
Passavant Hospital
The Peoples Gas Light & Coke Co.
Pullman Standard Car Manufacturing Co.
Pure Oil Company
Quaker Oats Company
John Sexton & Company
Simoniz Company
Spiegel, Inc.
Standard Oil Co. (Indiana)
Charles A. Stevens & Company
Stewart-Warner Corporation
The Tribune Company
United Air Lines, Inc
United States Gypsum Company
Victor Chemical Works
Walgreen Drug Stores
The Willett Company
Wisconsin Public Service Corporation

CINCINNATI

Acme-Newport Steel Company
American Laundry Machinery Co.
Armco Steel Corporation
G. A. Avril Company
The Baldwin Piano Company
Bardes Corporation
Bavarian Brewing Co., Inc.
Burger Brewing Company
Burkhardt's
R. K. LeBlond Machine Tool Company
The Chatfield Paper Corporation
The Cincinnati Enquirer
Cincinnati Gas & Electric Co.
Cincinnati & Suburban Bell Telephone Co.
The Dawson-Evans Construction Co.
The Drackett Company
The Duriron Company, Inc.
The Eagle-Picher Company
Emery Industries, Inc.
Federated Department Stores, Inc.
The Fifth Third Union Trust Company
The Foy Paint Company
The Globe Wernicke Company
Robert Gould Company
The Hamilton Foundry & Machine Co.
The Andrew Jergens Company
The E. Kahn's Sons Company
The Kroger Company
The Lunkenheimer Company
The H. H. Meyer Packing Company
The Mosler Safe Company
The Nivison Weiskopf Company
E. J. Nolan Corporation
The Ohio National Life Insurance Company
The Ohio River Company
The Procter & Gamble Company
The Provident Savings Bank & Trust Co.
Queen City Chevrolet Company
Shepard Warner Elevator Company
The Sorg Paper Co.
Toms River-Cincinnati Chemical Corp.
Trailmobile Inc.
United States Shoe Corporation
The U. S. Printing & Lithograph Co.
The Western & Southern Life Insurance Co. *(Tax, Real Estate-General Insurance Counsel)*
The George Wiedemann Brewing Co.

CLEVELAND

The American Crayon Company
Addressograph-Multigraph Corporation
E. W. Bliss Company
Campus Sweater & Sportswear Co.
Carling Brewing Company
Cleveland Electric Illuminating Company
Cleveland Pneumatic Industries, Inc.
Firestone Tire & Rubber Company
The General Tire & Rubber Company
The Goodyear Tire & Rubber Company
The Halle Brothers Company
Harris-Intertype Corp.
The Hoover Company
Hupp Corporation
The North American Coal Corp.
The Parker Hannifin Corporation
Rubbermaid Incorporated
The Timken Roller Bearing Co.

CONNECTICUT VALLEY

City of Hartford
Connecticut Light & Power Co.
Eastern States Farmers' Exchange, Inc.
Eureka Williams Corp.
Hartford Electric Light Co.
Hartford Gas Co.
The Kaman Aircraft Corporation
Moore Drop Forging Co.
The New Britain Machine Co.
Scovill Manufacturing Company
The United States Time Corporation
United Aircraft Corp.
Whitney Chain Company

DALLAS-FT. WORTH

American Petrofina, Inc.
Austin Bridge Company
Bell Helicopter Corporation
The British-American Oil Producing Company
Campbell Taggart Associated Bakeries, Inc.
Carrier-Bock Company
Chance Vought Aircraft, Inc.
Champlin Oil & Refining Co.
Coca-Cola Bottling Company
Comet Rice Mills
Community Public Service Co.
Dallas Power & Light Co.
Dearborn Stove Company
Delta Drilling Company
Dresser Industries, Inc.
The Frito Company
General American Oil Co. of Texas
Gifford-Hill & Co., Inc.
Intercontinental Mfg. Company, Inc.
Lone Star Gas Company
Lone Star Steel Company
Magnolia Petroleum Company
Morton Foods, Inc.
The Murray Company of Texas, Inc.
The Schoellkopf Company
Olmsted-Kirk Company
Otis Engineering Corp.
Dr. Pepper Company
Republic National Bank of Dallas
Southern Union Gas Company
Sun Oil Company
Temco Aircraft Corporation
Texas Delivery Service
Texas Instruments, Inc.
The Times Herald Printing Company
The T X L Oil Corporation

DELAWARE VALLEY

American Viscose Corp.
Atlantic City Electric Company
Atlas Powder Company
The Atlantic Refining Company
Bargain City, U.S.A., Inc.
Bestwall Gypsum Company
The Budd Company
Campbell Soup Company
Catalytic Construction Company
Certain-teed Products Corporation
Delaware Power & Light Company
E. I. duPont de Nemours & Co., Inc.
The Electric Storage Battery Company
Fidelity Mutual Life Insurance Co.
Fidelity-Philadelphia Trust Company
Food Fair Stores, Inc.
General Coal Company
General Public Warehouse Company, Inc.
I-T-E Circuit Breaker Company
Keasbey & Mattison Company
Kaiser Metal Products, Inc.
Lavino Shipping Company
Levitt & Sons
Martin Century Farms, Inc.
Mutual Rendering Company, Inc.
Paterson Parchment Paper Co.
Penn Fruit Company
Penn Mutual Life Insurance Co.
Philadelphia Electric Company
Philadelphia Gas Works
The Philadelphia Saving Fund Society
Publicker Industries
Sandura Company
S.K.F. Industries, Inc.
Smith, Kline & French Laboratories
South Chester Tube Company
United Engineers & Constructors, Inc.
The United Gas Improvement Company

DETROIT

Allen Industries, Inc.
American Blower Corporation
American Motors Corporation
Bull Dog Electric Products Company
Burroughs Corporation
Chrysler Corporation
D. W. G. Cigar Corp.
Darin & Armstrong, Inc.
Davidson Brothers
Detroit Gasket & Manufacturing Company
Detroit Harvester Company
The Detroit Edison Company
Detroit Steel Corporation
Evans Products Company
Ex-Cell-O Corporation
Fenestra, Inc.
Ford Motor Company
Freuhauf Trailer Company
Gar Wood Industries, Inc.
General Motors Corporation
Goddard & Goddard Company
The J. L. Hudson Company
Hygrade Food Products Corporation
The Jam Handy Organization, Inc.
Kelsey-Hayes Wheel Company
King-Seeley Corporation
S. S. Kresge Company
Lyon Incorporated
R. C. Mahon Company
McCord Corporation
McLouth Steel Corporation
Michigan Bell Telephone Co.
Michigan Consolidated Gas Company
Michigan Wisconsin Pipe Line Co.
Micromatic Hone Corporation
The Murray Corporation of America
National Bank of Detroit
National Twist Drill & Tool Co.
Parke Davis & Company
Pfeiffer Brewing Company
R. L. Polk & Company
Square D Company
The Udylite Corporation
The Upjohn Company
The Valeron Corporation
Verners Ginger Ale, Inc.
Woodall Industries, Inc.
Wyandotte Chemicals Corporation

HOUSTON

Ada Oil Company
American Warehouses, Inc.
Anderson Clayton & Company
Bank of the Southwest
Brown and Root, Inc.
Brown Oil Tools, Inc.
H. E. Butt Grocery Co.
Cameron Iron Works, Inc.
Collins Construction Co.
The Dow Chemical Co.
Duncan Coffee Co.
Eastern States Petroleum Co. Inc.
Fish Services Corporation
Halliburton Oil Well Cementing Co.
Homco
Houston Oil Field Material Co. Inc.
Hughes Tool Co.
Humble Oil & Refining Company
Jefferson Lake Sulphur Company
Johnston Testers
National Lead Company, Baroid Division
Perforating Guns Atlas Corp.
Petro-Tex Chemical Corporation
Quintana Petroleum Corporation
J. Ray McDermott & Company
Reed Roller Bit Co.
River Brand Rice Mills, Inc.
River Oaks Corporation
San Jacinto Petroleum Corp.
Schlumberger Well Surveying Corp.
Sheffield Steel Division of Armco Steel Corporation
A. O. Smith Corporation of Texas
Tennessee Gas Transmission Co.
Texas Manufacturing Association
Transcontinental Gas Pipe Line Corp.
Trunkline Gas Company
Tuboscope Company
Uncle Ben's, Inc.
Union Carbide Chemical Company
J. Weingarten, Inc.
Win Hawkins Drilling Company

MARYLAND

Army & Air Force Exchange Service
The Arundel Corporation
Baltimore Contractors, Inc.
Cafritz Construction Co.
Catalyst Research Corporation
City Baking Company
W. T. Cowan, Inc.
Crown Central Petroleum Corp.
The Davison Chemical Corporation
Ellicott Machinery Corporation
L. Greif & Bro., Inc.
Gunther Brewing Co., Inc.
The Hecht Company
Hutzler Brothers Co.
Insurance Buyers' Council
Harry T. Campbell Sons Corp.
Maryland Shipbuilding & Drydock Co.
McCormick & Co., Inc.
Mercantile Safe Deposit & Trust Co.
Merchants Terminal Corp.
Montgomery County, Maryland
The National Brewing Co.
Office of Naval Material Department of the Navy
Schmidt Baking Co., Inc.

MINNESOTA

Andersen Corporation
Cargill, Incorporated
College of St. Thomas
Coca-Cola Bottling Co. of Minnesota
The Creamette Co.
Curtis 1000, Inc.
Coast to Coast Stores—

Central Organization, Inc.
The Economics Laboratories, Inc.
Flour City Brush Company
Federal Cartridge Corporation
First National Bank of Minneapolis
Fitger Brewing Company
Fullerton Lumber Company
Gamble-Skogmo, Inc.
M. A. Gedney Company
General Mills, Inc.
Green Giant Company
Theo. Hamm Brewing Company
Geo. A. Hormel & Co.
Hubbard Milling Company
Industrial Aggregate Co.
International Milling Company
Josten Manufacturing Company
Landers-Norblom-Christenson Co
Maple Island, Inc.
Mayo Clinic
Maney Bros. Mill & Elevator Co.
Minneapolis Brewing Company
Minneapolis-Honeywell Regulator Co.
Minneapolis Star & Tribune Company
Minnesota Mining & Manufacturing Co
Minnesota & Ontario Paper Co.
Munsingwear, Inc.
Nash-Finch Company
The B. F. Nelson Mfg. Co.
Northern Ordnance Inc.
Northrup-King & Company
Northwest Airlines, Inc.
W. S. Nott Company
Owatonna Canning Company
Owatonna Tool Co.
M. F. Patterson Dental Supply Co. of Minnesota
F. H. Peavey & Company
The Pillsbury Company
Red Owl Stores, Inc.
Rochester Dairy Cooperative
St. Paul Terminal Warehouse Co
J. L. Shiely Company
Super Valu Stores, Inc.
Toro Manufacturing Company
Waldorf Paper Products Company
Western Oil and Fuel Company
Wood Conversion Company

MONTREAL

Aluminum Company of Canada, Ltd.
Atlas Asbestos Company Limited
Belding Corticelli Limited
The Bell Telephone Co. of Canada
The Bristol Aeroplane Co. of Canada (1956) Limited
Canada Cement Company Limited
Canadair Limited
Canadian Celanese Ltd.
Canadian Industries Limited
Canadian International Paper Company
Canadian Marconi Company
Canadian Pratt & Whitney Aircraft Company, Ltd.
Canadian Salt Co., Ltd.
Consolidated Paper Corporation Limited
Distillers Corporation—Seagrams Limited
Dominion Bridge Company Limited
Dominion Engineering Works Limited
Dominion Glass Company Limited
Dominion Textile Company Limited
Du Pont Co. of Canada (1956) Ltd.
The Foundation Co. of Canada Limited
Henry Birks & Sons Ltd.
Howard Smith Paper Mills Limited
Imperial Tobacco Co. of Canada Limited
Northern Electric Company, Limited
Molsons Brewery Limited
Price Brothers & Company, Ltd.
Quebec Power Company
Rolls-Royce of Canada, Limited
Shawinigan Chemicals Limited
The Shawinigan Water and Power Company
Standard Chemical Limited
Steinberg's Limited
Thor Mills Limited

NEW YORK

ACF Industries, Inc.
The Aeroflex Corporation
The American Thread Company
Alexander's Department Stores, Inc.
Allied Chemical Corporation
Allied Maintenance Corporation
Allied Stores Corporation
Amerace Corporation
American Airlines
American Broadcasting-Paramount Theatres, Inc.
American Bank Note Co.
American Can Company
American Chicle Company
American Cyanamid Company
American District Telegraph Co., Inc.
American Home Products Corp.
American Machine & Foundry Co.
American Management Association
American Metal Climax, Inc.
American News Co., Inc.
The American Oil Company
American Radiator & Standard Sanitary Corp.
Anaconda Company
Anaconda Wire & Cable Company
Arabian American Oil Company
Associated Dry Goods Corp.
Avco Manufacturing Corporation
Avon Products, Inc.
The Babcock & Wilcox Company
Belk Stores, Inc.
Bell Telephone Laboratories
Berkshire-Hathaway, Inc.
Best Foods Division of Corn Products Company
Bigelow-Sanford Carpet Co., Inc.
Blades & Macaulay
The Borden Company
Bristol Myers Company
Burlington Industries, Inc.
The California Oil Company
Canada Dry Corporation
John J. Casale, Inc.
Celanese Corporation of America
The Chase Manhattan Bank
The Chemstrand Corporation
Chesapeake Industries, Inc.
Ciba States Limited
Cities Service Petroleum, Inc.
City Stores Mercantile Company, Inc.
Chilean Nitrate Sales Corporation
Clairol Incorporated
Coats & Clark's Sales Corporation
The Coca-Cola Export Corporation
Colgate-Palmolive Company
Columbian Carbon Company
Combustion Engineering, Inc.
Commercial Solvents Corporation
Commonwealth Services, Inc.
Congoleum-Nairn, Inc.
Consolidated Cigar Corp.
Continental Can Company, Inc.
Continental Grain Company
Corporate Advisors, Inc.
Curtiss-Wright Corporation
Daystrom, Inc.
Diesel Vessel Operators, Inc.
Dugan Brothers, Inc.
Dow, Jones & Co., Inc.
Ebasco Services Incorporated
Esso Research and Engineering Company
Thomas A. Edison, Inc.
El Paso Natural Gas Company
Electrolux Corporation
Esso Standard Oil Company
Ethyl Corporation
Federal Paper Board Co., Inc.
The First National City Bank of New York
The Firth Carpet Company
The Flintkote Company, Inc.
The F. & M. Schaefer Brewing Company
Foster-Wheeler Corp
Robert Gair Co., Inc.—Division of Continental Can Company, Inc.
Geigy Chemical Corporation
General Aniline & Film Corporation
General Baking Company
General Dynamics Corporation
General Electric Company
General Foods Corp.
Gibbs & Hill, Inc.
W. R. Grace & Company
Great Lakes Carbon Corporation
Guaranty Trust Company
S. Gumpert Co., Inc.
M. & M.'s Candies, A Division of Food Manufacturers, Inc.
Hess, Inc.
Hewitt-Robins, Inc.
Imperial Color Chemical & Paper Corp.
International Business Machines Corp.
Interchemical Corp.
Johns-Manville Corp.
Johnson & Johnson
A. & M. Karagheusian, Inc.
Kennecott Copper Corporation
Keuffel & Esser Company
Knickerbocker Construction Co.
S. H. Kress & Co.
Lerner Stores Corp.
Lever Brothers Co.
Liggett & Myers Tobacco Co.
Lily-Tulip Cup Corp.
Luckenbach Steamship Company, Inc.
Thomas J. Lipton, Inc.
The Lummus Company
R. H. Macy & Co., Inc.
McKesson & Robbins, Incorporated
Manufacturers Trust Co.
Merritt-Chapman & Scott Corp.
Metal & Thermit Corp.
Philip Morris Incorporated
Muzak Corporation
National Biscuit Company
National Distillers and Chemical Corp.
National Starch Products, Inc.
The Nestle Company
J. J. Newberry Company
New York Herald-Tribune
Olin Mathieson Chemical Corporation
Otis Elevator Company
Pan American World Airways, Inc.
Pan American International Oil Co.
Panaminas Incorporated
S. B. Penick & Co.
Chas. Pfizer & Co., Inc.
Pitney-Bowes, Inc.
The Port of New York Authority
Radio Corporation of America
Refined Syrups & Sugars, Inc.
Reliance Manufacturing Company
Republic Aviation Corporation
Rheem Manufacturing Company
Riegel Paper Corporation
Seagram-Distillers Corp.
Shein's Express
The Sperry & Hutchinson Company
Sperry Rand Corporation
Sperry Gyroscope Co.
Standard Oil Company (New Jersey)
J. P. Stevens & Co., Inc.
Sun Chemical Corporation
Sunshine Biscuits, Inc.
Sylvania Electric Products, Inc.
Union Bag-Camp Paper Corporation
Union Carbide Corporation
United Aircraft Corp.
United Merchants & Manufacturers, Inc.
U. S. Industries, Inc.
United Parcel General Service Company
United States Plywood Corporation

United Whelan Corporation
Universal Pictures Co., Inc.
Vick Chemical Company
Walworth Company
West Chemical Products, Inc.
Western Electric Company
Westrex Corporation
West Virginia Pulp & Paper Company
Witco Chemical Company
Worthington Corporation
Yale Transport Corporation
Ziff-Davis Publishing Company

NORTHERN CALIFORNIA

American Trust Company
Guy F. Atkinson Company
Bank of America NT & SA
Bank of California, N.A.
Bechtel Corporation
California & Hawaiian Sugar Refining Corp. Ltd.
California Packing Corporation
California State Chamber of Commerce
California State Dental Association
California Self-Insurers Association
Coast Service Company
Consolidated Freightways, Inc.
The Crocker-Anglo National Bank
Crown Zellerbach Corp.
Cutter Laboratories
Department of Finance — State of California
The Robert Dollar Company
East Bay Municipal Utility District
E. & J. Gallo Winery
Fibreboard Products, Inc.
The First Western Bank & Trust Company
Foremost Dairies, Inc.
Honolulu Oil Corporation
Kaiser Companies
Kaiser Engineers
Kern County Land Co.
Lando Products, Inc.
Lenkurt Electric Company, Inc.
Leslie Salt Company
Long Stores
Matson Navigation Company
Mund, McLaurin & Company
Pacific Gas & Electric Company
The Pacific Telephone & Telegraph Company
Pacific Intermountain Express Company
Permanente Cement Company
Port of Oakland
Rudiger-Lang Company
Safeway Stores, Inc.
Southern Pacific Company
Spreckels Sugar Company
Standard Oil Company of California
Swinerton & Walberg Company
Transocean Air Lines
The Union Ice Company
Union Lumber Company
United Air Lines, Inc.
University of California
Utah Construction & Mining Co.
Wells Fargo Bank
The Western Pacific Railroad Company
Wilbur-Ellis Company

OREGON

The Bank of California, N.A.
Blitz Weinhard Company
Columbia River Packers Association, Inc.
The First National Bank of Portland
Georgia-Pacific Corporation
HYster Company
Industrial Air Products Co.
Jantzen, Inc.
Fred Meyer, Inc.
Northwest Natural Gas Company
Oregon Pulp & Paper Company
Terminal Ice & Cold Storage Company
The United States National Bank
West Coast Lumbermen's Association
White Stag Manufacturing Co.
Willamette Iron & Steel Company
Zidell Machinery & Supply Co.

PITTSBURGH

Allegheny Ludlum Steel Corporation
Aluminum Company of America
Blaw-Knox Company
John F. Casey Company
Consolidation Coal Company, Inc.
Crucible Steel Company of America
Dravo Corporation
Duquesne Light Company
Eastern Gas & Fuel Associates
Edgewater Steel Company
Eichleay Corporation
Elliott Company
Equipment and Supplies, Inc.
Equitable Gas Company
Fidelity Trust Company
Fort Pitt Bridge Works
Frick & Lindsay Company
Gulf Oil Corporation
Harbison-Walker Refractories Company
E. J. Heinz Company
Koppers Company, Inc.
Mellon National Bank & Trust Company
Mine Safety Appliances Company
G. C. Murphy Company
Natco Corporation
The National Steel Corporation
The National Supply Company
The National-U.S. Radiator Corporation
Neville Chemical Company
Pennsylvania-Transformer Division of McGraw-Edison Company
Pittsburgh Coke & Chemical Company
Pittsburgh Forgings Company
Pittsburgh Plate Glass Company
Pittsburgh Screw & Bolt Corporation
Pittsburgh Steel Company
Pittsburgh & West Virginia Railway Company
H. H. Robertson Company
Rockwell Manufacturing Company
Rockwell-Standard Corporation
The Rust Engineering Company
Schaefer Equipment Company
Shenango Furnace Company
United Engineering & Foundry Company
Watson-Standard Company
Weirton Steel Company
West Penn Power Company
Westinghouse Air Brake Company
Westinghouse Electric Corporation
Youngstown Sheet and Tube Company

SOUTHERN CALIFORNIA

American Potash & Chemical Corp.
Aerojet General Corporation
Arrowhead and Puritas Water Inc.
Baker Oil Tools, Inc.
Bekins Van & Storage Company
Belridge Oil Company
Blue Diamond Corporation
C. F. Braun & Co.
California Bank
Carnation Company
Citizens National Bank
Consolidated Rock Products Co.
Consolidated Western Steel Division of U. S. Steel Corporation
The Copley Press, Inc.
Cyprus Mines Corporation
Desilu Productions, Inc.
Douglas Aircraft Company, Inc.
Ehrhart & Associates, Inc.
The Flintkote Company (Pioneer Division)
The Fluor Corporation, Ltd.
Forest Lawn Company
The Garrett Corporation
Garrett and Company, Inc.
Convair — A Division of General Dynamics Corporation
Gladding, McBean & Company
Global Van Lines, Inc.
Graham Brothers, Inc.
The Alfred Hart Company
Hunt Foods & Industries, Inc.
Hughes Aircraft Company
Kaiser Steel Corporation
Loew's Incorporated
Latchford Glass Company
Lockheed Aircraft Corp.
Marquardt Corporation
The May Company
The McCulloch Corporation
Metropolitan Water District of Southern California
Monolith Portland Cement Company
North American Aviation, Inc.
Northrop Corporation
Owl Enterprises
Pacific Airmotive Corporation
Ramo-Woolridge Division
Thompson Ramo Woolridge, Inc.
Tidewater Oil Company
Griffith Company
Richfield Oil Corporation
Rohr Aircraft Corporation
San Gabriel Valley Water Co.
Security First National Bank
Signal Oil & Gas Company
Southern California Edison Company
Southern California Gas Co.
Space Technology Laboratories, Inc.
Sparkletts Drinking Water Corporation
Sun Lumber Company
Superior Oil Company
Title Insurance and Trust Company
Union Bank
Union Oil Company of California
United States Borax & Chemical Corp.
Von's Grocery Company
Western Airlines, Inc.
M. H. Whittier Company

VIRGINIA-CAROLINA

American Enka Corporation
Belk Stores, Inc.
Burlington Industries, Inc.
The Chesapeake Corporation of Virginia
Duke Power Company
Farmers Cooperative Exchanges, Inc.
Larus & Brother Company, Inc.
David M. Lea & Co., Inc.
Miller & Rhoads, Inc.
National Fruit Product Company, Inc.
Newport News Shipbuilding & Drydock Co.
Noland Company, Inc.
Overnite Transportation Company
RF & P Railroad Company
Reynolds Metals Company
Smith-Douglass Company
Southern States Cooperative
Union Bag-Camp Paper Company
Virginia Department of Highways
Virginia Electric & Power Company

WASHINGTON

Alaska Packers Association
Boeing Airplane Company
General Construction Company
Halferty Canneries, Inc.
Ketchikan Pulp Company
New England Fish Company

Pacific American Fisheries, Inc.
Pacific Car and Foundry Company
Pacific Gamble Robinson Co.
Peoples National Bank of Washington
Pioneer Sand & Gravel Company
Puget Sound Bridge and Dredging Company
Puget Sound Power & Light Company
Seattle First National Bank
Simpson Timber Company
University Properties, Inc.
West Coast Airlines, Inc.
Weyerhaeuser Timber Company
Whiz Fish Products Company
Howard S. Wright Construction Company

WISCONSIN

Allen-Bradley Company
American Can Company (Marathon Division)
Basic Products Corporation
Baso, Inc.
Briggs & Stratton Corporation
J. I. Case Company
Clark Oil & Refining Corporation
Cutler-Hammer, Inc.
Downing Box Company
First Wisconsin National Bank
Globe-Union, Inc.
Harnischfeger Corporation
The Heil Company
S. C. Johnson & Son, Inc.
Ladish Co.
Line Material Industries, McGraw-Edison Company
Outboard Marine Corporation
Miller Brewing Company
Milprint, Inc.
Milwaukee Gas Light Co.
Milwaukee & Suburban Transport Corp.
Nekoosa-Edwards Paper Co.
Rhea Manufacturing Co.
Ed. Schuster & Co. Inc.
Schuster Construction Company
A. O. Smith Corporation
Wisconsin Bridge & Iron Company
Wisconsin Electric Power Co.

NON-CHAPTER MEMBERS

Alabama

The Ingalls Iron Works Company, Inc.
Morrison Cafeterias Consolidated Inc.
Vulcan Materials Company

Arizona

Hughes Aircraft Company

Arkansas

The Crossett Company

Colorado

Colorado Fuel & Iron Corp.

Florida

Mercury Motor Express, Inc.
Ryder System, Inc.

Illinois

Barber-Greene Company
Deere & Company
Granite City Steel Company
Sundstrand Machine Tool Company

Indiana

Insurance Audit & Inspection Co.
Studebaker-Packard Corporation

Iowa

The Rath Packing Company

Kansas

Boeing Airplane Company (Wichita Division)
The Carey Salt Company

Louisiana

The California Company
Standard Fruit and Steamship Company
United Gas Corporation

Maine

Central Maine Power Company
John H. Magee

Massachusetts

Boston Housing Authority
C. H. Sprague & Son Company
Godfrey L. Cabot, Inc.
Howard D. Johnson Company

Michigan

Gerber's Baby Foods

Missouri

Anheuser-Busch, Inc.
Gaylord Container Corporation Division of Crown Zellerbach Corp.
Panhandle Eastern Pipe Line Co.
Laclede Steel Company
May Department Stores Company
Monsanto Chemical Company
Standard Milling Company
The Seven-Up Company
Union Electric Company

New York

Carrier Corporation
Cooperative Grange League Federation Exchange, Inc.
Corning Glass Works
Mohasco Industries, Inc.
New York State Electric & Gas Corp.
Rochester Gas & Electric Corp.
Will & Baumer Candle Company

New Jersey

Federal Pacific Electric Co.
Merck & Company Inc.

Ohio

The Ohio Oil Company

Oklahoma

Oklahoma Gas & Electric Company
Sunray Mid-Continent Oil Company

Pennsylvania

Aircraft-Marine Products, Inc.
Titan Metal Manfacturing Co. Division of Cerro de Pasco Corp.

Rhode Island

Gorham Manufacturing Company

Tennessee

Hardwick Stove Company
Rich's Incorporated

Vermont

Central Vermont Public Service Corp.
The National Life Insurance Co. *(Property & Liability Insurance Dept.)*

Washington, D.C.

National Lumber Manufacturers Association

West Virginia

Pennsylvania Glass Sand Corp.
Weirton Steel Company

Wisconsin

A. Geo. Schulz Company
Chain Belt Company
Fred Rueping Leather Company
The Kurth Malting Co.
Nordberg Manufacturing Co.

CANADA

British Columbia Electric Co. Ltd.
Legrade Inc.
The Robert Simpson Co. Ltd.
Western Canada Breweries Limited

FRANCE (Paris)

Standard Oil Company of New Jersey

PUERTO RICO

Commonwealth Oil Refining Co. Inc.

VENEZUELA (Caracas)

Mr. William Cole